

REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES TO PROVIDE Investment Custody Services

ISSUED BY THE OFFICE OF THE STATE TREASURER
CONTRACT NUMBER: TRE1602-INVESTCUST

I. Overview

The Office of the State Treasurer (“OST”) seeks a qualified vendor (“Vendor”) to provide Investment Custody Services for all public funds (“funds”) belonging to the State of Delaware (“State” or “Delaware”) or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program, and under the purview of the Cash Management Policy Board (“Board”).

This Request for Proposal (“RFP”) is issued pursuant to 29 *Del. C.* §§ 6981, 6982 and 6986.

Timetable: The tentative timetable for this RFP process is as follows:

EVENT	DATE
RFP published	May 2, 2016
Deadline for vendor questions	May 9 (4:00 p.m. EST)
Deadline for State responses – Q&A closed	May 16 (4:00 p.m. EST)
Deadline for vendor proposal submission	June 15 (4:00 p.m. EST)
Finalist presentations	July 11
Estimated Award notification	August 17
Implementation	December 1

Proposal to Remain Open: Vendor must agree to keep any proposal to this RFP open for six months after the deadline for vendor proposal submission.

Contract Term: This RFP process will result in a contract for a three-year term, to begin January 1, 2017 and end December 31, 2019. The contract will provide for two one-year extensions, bringing the potential contract end date to December 31, 2021.

Vendor Eligibility: Any Vendor that does not meet the following criteria will not qualify for this RFP process:

1. Provide evidence of a Delaware business license or evidence of an application to obtain the business license.
2. Provide evidence of professional liability insurance in the amount of \$1.0 million.
3. At least \$1 billion in total market capitalization.
4. At least \$750 billion in total tax-exempt assets under trust/custody.
5. At least \$250 billion in corporate and public funds under custody.
6. Financial institutions with both a branch network and employees in Delaware are exempt from the above market capitalization and assets under management criteria.
7. Minimum of 5 years experience in providing accounting and reporting for

- public funds of institutional clients – corporate or public.
8. Minimum of 10 years experience in providing trust/custody services for institutional investors.

Pre-Bid Meeting: There is no pre-bid meeting scheduled at this time.

Designated Contact: This RFP process will be managed by OST's Director of Investments and Cash Management ("Designated Contact"):

Stephen W. McVay
Telephone: 302-672-6711
Email: stephen.mcvay@state.de.us

II. Background

OST oversees the collection, disbursement and investment of State of Delaware public funds. The Board establishes the policies (a) for the investment of all funds belonging to the State or on deposit from its political subdivisions (except money deposited in any State Pension Fund or the State Deferred Compensation Program) and (b) to determine the terms, conditions, and other matters relating to those investments including the designation of permissible investments (see Appendix A, Exhibits 1 & 2). The Board is comprised of Delaware volunteer citizens (financial professionals) appointed by the Governor and confirmed by the Delaware General Assembly and ex-officiate government officials (including the State Treasurer).

Currently, OST's \$1.6 billion investment portfolio is invested in 13 accounts with ten investment managers ("Portfolio Managers"). All of the assets, with the exception of the \$60 million of the Land and Water Endowment, are currently invested in fixed income securities. All of the investments are held at BNY Mellon, the State's current custodian ("Custodian").

The State currently deploys a three tier investment structure as follows:

- Liquidity Managers (4 accounts): Most liquid of the investment portfolio and operates under the objective to provide timely liquidity needs and safety of principal, allowing for securities with maturities up to 2 years (3 years average life for allowable floating rate securities).
- Reserve Managers (6 accounts): Utilized to meet the State's intermediate term cash needs and operates under the objective to maximize return on investment while maintaining safety of principal, allowing for securities with maturities up to 10 years.

- Endowment Managers (3 accounts): As of July 1, 2015, the Delaware Land and Water Endowment Fund with assets of approximately \$60 million was invested with multi-asset class investment managers. Currently, these funds are held by the custodian for the state as pooled funds with plan accounting unitization using cost distribution/fluctuating price methodology.

Under current Board's direction, the operating cash investment portfolio (excluding the Land & Water Endowment) is invested 50% with the Liquidity Managers and 50% with the Reserve Managers, plus or minus 5%.

**Delaware Investment Portfolio
as of March 31, 2016**

Investment Managers	Portfolio Values
Liquidity Managers	
Cutwater Asset Management	\$ 188,689,665
PFM Asset Management	191,313,657
Wells Capital Asset Management	190,009,640
Wilmington Trust	189,753,028
<i>Total Liquidity</i>	<u>\$ 759,765,990</u>
Reserve Managers	
Chandler Asset Management	\$ 96,986,390
Federated Investment Counseling	143,972,316
JP Morgan Asset Management	226,745,373
Morgan Stanley Investment Management	154,951,401
Schroder's Investment Management	146,661,706
<i>Total Reserve</i>	<u>\$ 826,210,206</u>
Total Core Investments (Liquidity and Reserve)	<u>\$ 1,585,976,196</u>
Land and Water Endowment Managers	
JP Morgan Diversified Fund	\$ 19,135,138
Morgan Stanley Global Strategist Portfolio	19,409,662
SEI Investment Management	19,884,527
Cash	3,003,740
<i>Total Land and Water Endowment</i>	<u>\$ 61,433,067</u>
Schroder's Investment Management (Health Fund)	\$ 56,893,021
Total Treasury Investment Portfolio	<u><u>\$ 1,647,409,264</u></u>

III. Scope of Services

The OST desires to enter into a custody relationship with a qualified vendor for the purpose of providing comprehensive custody services for the funds of the State of Delaware. Qualified vendor will be the State's "book of record" for all assets and transactions for funds under both OST and CMPB purview. The core requirements are:

- Safekeeping of U.S. Assets held by Investment Managers
- Settlement and Trade Processing
- Accounting and Reporting
- Requisite Unit or Dollar Trust/Plan Accounting for proper allocation of income earned to participants
- Performance Measurement and Analytics
- Investment Guideline Compliance Monitoring Service (based on current CMPB guidelines)
- Risk and Internal Control Procedures
- Accurate and Timely Pricing
- Internet Access
- Client Servicing

Of particular concern to the State are cost-effective solutions that embrace technology and expert systems, and a disciplined approach in the delivery of custody services. Lastly, the State would like to have a knowledgeable, seasoned and responsive client servicing team assigned to its account.

The State may elect to purchase additional services that may enhance the cash management and administration of the funds. The purpose of this RFP is to notify qualified custody institutions of this intention, to formally request proposals, and to disseminate information that would assist custody providers in the preparing and submitting proposals to provide these services to the State.

Detailed requirements for the services requested pursuant to this RFP are set out in Appendix A of this RFP.

IV. Requirements and Evaluation Criteria

A. Required Information

1. Vendor shall provide the following information with its proposal in the order listed below. Failure to respond to any request for information within this RFP may result in rejection of the proposal at the sole discretion of OST. The proposal will be presented in a 3-ring binder, with each completed attachment identified in its own tab.

Tab A: Transmittal Letter. This letter must address these topics:

- A summary of the Vendor's investment custody services experience, and interest in providing these services to the State of Delaware.
- A summary of material exception(s) to the RFP requirements as detailed by the Vendor on Attachment 5, including justifications for same.

Tab B: Attachment 1: Questionnaire

Tab C: Attachment 2: Pro Forma Bid Sheet

Tab D: Attachment 3: Confidential Information Form

Tab E: Attachment 4: Business References

Tab F: Attachment 5: Exception Form

Tab G: Attachment 6: Non-Collusion Statement

Tab H: Attachment 7: Employing Delawareans Report

Tab I: Most recent annual report, Form 10-Q and SSAE 16 (quest. c. 1)

Tab J: Client Monthly Audited Account Statement (quest. g. note)

Tab K: Other Accounting Reports (quest. g. 11)

Tab L: Performance and Analytics Reports (quest. i. 14)

Tab M: Conversion Manual (quest. l. 2)

2. Prior to the execution of an award document, the successful Vendor shall furnish OST with proof of (i) valid State of Delaware business license, (ii) certification(s) necessary to perform services as identified in the Scope of Services set out in Appendix A, and (iii) proof of and amount of insurance no less than as identified in Section 10 of the formal agreement attached hereto as Appendix B.

B. Evaluation Criteria

An Evaluation Team, comprised of representatives from OST and other state agencies, will make quantitative and qualitative evaluations of all proposals. The Evaluation Team will consider Vendors based on their responsiveness, competence, professionalism, financial strength and organizational fit using the criteria set out below. The team's findings and recommendations will be presented to and evaluated by the Board for final approval of a Vendor by that body.

1. Criteria Weight

All proposals shall be evaluated using the same criteria and scoring weights set out below:

<u>Custody and Accounting</u>	30%
■ Safekeeping of assets held by investment managers	
■ Settlement and trade processing	
■ Monthly Audited Accounting Statements and Reporting	
■ Unit or Dollar Trust/Plan Accounting for proper allocation of income	

earned to participants	
<u>Performance Measurement, Analytics and Compliance Monitoring</u> <ul style="list-style-type: none"> ■ Performance and risk measurement (both standard and customized) ■ Robust online platform available for client inquiry and reporting ■ Ability to provide investment compliance monitoring depending on specific strategy ■ Ability to customized and generate fiscal year end reporting for public financial statements (CAFR) 	30%
<u>Organization & Experience</u> <ul style="list-style-type: none"> ■ Overall Organizational Fit (including Vendor history, values & personnel) ■ Client support services by function (transition management, accounting and reporting) ■ Experience with public fund clients and references. 	20%
<u>Pricing</u> <ul style="list-style-type: none"> ■ Total annual fee based on current processing requirements and stated volumes ■ Ancillary and/or optional services recommended by the Vendor ■ Cost-saving measures recommended by the Vendor 	20%

2. Proposal Clarification

The Evaluation Team may communicate with a Vendor in order to clarify uncertainties or gain better understanding of a proposal. Vendors may not modify proposals as a result of such communication, and they must provide requested information in a timely manner.

3. References

The Evaluation Team may communicate with all references provided by a Vendor, and may use information gained thereby in the evaluation process. In addition, the Evaluation Team may communicate with any known client of a Vendor outside of the reference list, and any information gained may be used in the evaluation process.

4. Oral Presentations

The Evaluation Team may invite selected Vendors to make in-person oral presentations to the Evaluation Team. *Any costs associated with oral presentations will be borne by the Vendor.*

5. On-site Visits

The Evaluation Team may make site visits to key Vendor processing and/or administrative facilities as part of the evaluation process. *Any costs associated with site visits will be borne by the State.*

V. RFP Issuance and Submission of Proposals

A. RFP Issuance

1. Public Notice

Public notice of this RFP has been provided in accordance with 29 *Del. C.* § 6981.

2. Publication of this RFP

This RFP is published in electronic form only. It is available at the following websites:

<http://bids.delaware.gov/>
<http://treasurer.delaware.gov/rfps.shtml>
<http://nast.net>

3. Assistance to Vendors with a Disability

Vendors with a disability may receive reasonable accommodation regarding the means of communicating this RFP or participating in the procurement process. For more information, contact the Designated Contact no later than fourteen days prior to the deadline for receipt of proposals.

4. RFP Designated Contact

All communication about this RFP shall be made via email to the Designated Contact at the following address:

stephen.mcvay@state.de.us

Vendors should rely only on written statements issued by the Designated Contact.

The Vendor must designate a single point of contact, who will be responsible for coordinating all internal Vendor communication. The Designated Contact will only communicate with that one person for each Vendor.

5. Contact with Consultants and Legal Counsel

The State of Delaware may retain consultants or legal counsel to assist in the review and evaluation of this RFP and the Vendors' responses. Vendors shall not contact the State's consultant or legal counsel on any matter related to the RFP unless so instructed in writing by the Designated Contact.

6. Contact with Other State Employees

Direct contact with State of Delaware employees other than the Designated Contact regarding this RFP is expressly prohibited without prior written consent of the Designated Contact. Vendors directly contacting State of Delaware employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State that require contact in the normal course of doing that business.

7. Organizations Ineligible to Bid

Any individual, business, organization, corporation, consortium, partnership, joint venture or other entity currently debarred, suspended or otherwise ineligible to conduct business in the State of Delaware for any reason is not eligible to respond to this RFP.

8. Exclusions

The Evaluation Team reserves the right to refuse to consider any proposal from a Vendor that:

- a. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or in the performance of the contract;
- b. Has been convicted under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offense indicating a lack of business integrity or business honesty;
- c. Has been convicted or has had a civil judgment entered for a violation under state or federal antitrust statutes;
- d. Has violated contract provisions as a state contractor such as:
 - 1. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract; or
 - 2. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
- e. Has violated ethical standards set out in law or regulation; or
- f. Has violated any other regulation of the State of Delaware determined to be serious and compelling as to affect responsibility as a state contractor.

9. No Press Releases or Public Disclosure

OST reserves the right to pre-approve any news or broadcast advertising releases concerning this RFP, the resulting contract, the work performed, or any reference to the State of Delaware with regard to any project or contract performance. Any such news or advertising releases pertaining to this RFP or resulting contract shall require the prior express written permission of OST.

Notwithstanding the foregoing, the State of Delaware will not prohibit or otherwise prevent the awarded Vendor(s) from direct marketing to the State of Delaware's agencies, departments, municipalities, and/or any other political subdivisions; provided that, no Vendor shall use the State's seal or imply preference for the solution or goods provided.

10. RFP Not an Offer

This RFP does not constitute an offer by OST or the State of Delaware.

11. Right to Cancel RFP

OST reserves the right to cancel this RFP at any time during the procurement process, for any reason or for no reason. OST makes no commitments, expressed or implied, that this process will result in a business transaction with any Vendor.

12. Revisions to the RFP

If it becomes necessary to revise any part of the RFP, an addendum will be posted with the original RFP at:

<http://bids.delaware.gov/>
<http://treasurer.delaware.gov/rfps.shtml>
<http://nast.net>

B. Submission of Proposals

1. Acknowledgement of Understanding of Terms

By submitting a proposal, a Vendor shall be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and attachments hereto, and has fully informed itself as to all existing conditions and limitations, including, without limitation, any minimum requirements herein.

A Vendor must describe in detail on Attachment 5 any areas where it will be unable to provide services as requested. In addition, if a Vendor is willing to provide the services exactly as requested, but believes that there would be benefits (such as cost savings or improved service) to making adjustments to the services outlined, the Vendor should describe the adjustments and the benefits on Attachment 5. Acceptance or rejection of any or all such exceptions is within the sole discretion of OST.

Upon receipt of Vendor proposals, each Vendor shall be presumed to be thoroughly familiar with all specifications and requirements of this RFP. The failure or omission to examine any form, instrument or document shall in no way relieve a Vendor from any obligation with respect to this RFP.

Vendors must respond to all mandatory requirements presented in this RFP. The words “shall”, “will” and/or “must” are used herein to designate a mandatory requirement. Failure to respond to a mandatory requirement may, at OST’s discretion, cause the disqualification of a Vendor’s proposal.

2. Proposal Deliveries

The Vendor will submit seven paper copies and seven electronic copies (USB drive preferred). One of the seven hard copy proposals will be clearly labeled as the “master” copy.

The deadline for submissions is 4:00 p.m. EST on June 15, 2016. The proposal package delivery address is:

Office of the State Treasurer
Attention : Investment Custody Services Bid
820 Silver Lake Boulevard, Suite 100
Dover, DE 19904

One additional electronic copy (preferably email with attachments) to:

Kevin Leonard
NEPC, LLC
255 State Street
Boston, MA 02109
kleonard@nepc.com

The proposing Vendor bears the risk of delays in delivery.

3. Proposal Modifications

Any changes, amendments or modifications to a proposal must be made in writing, submitted in the same manner as the original proposal and conspicuously labeled as a change, amendment or modification to a previously submitted proposal. Changes, amendments or modifications to proposals shall not be accepted or considered after the hour and date specified as the deadline for submission of proposals.

4. Proposal Costs and Expenses

The State of Delaware will not pay any costs incurred by any Vendor associated with any aspect of responding to this RFP, including proposal preparation, printing or delivery, presentation, system demonstrations or negotiation process.

5. Proposal Expiration Date

The proposal, including prices quoted in the proposal, to this RFP shall remain fixed and binding on the Vendor for no less than six months from the proposal submission deadline. The State of Delaware reserves the right to ask for an extension of time if needed.

6. Late Proposals

Proposals received after the specified date and time will not be accepted or considered. Late proposals will be destroyed or returned to Vendor at Vendor's request and at Vendor's cost. To document compliance with the deadline, each proposal will be date and time stamped upon receipt.

7. Proposal Opening

The Designated Contact will open proposal packages in the presence of Treasury witnesses, and will establish a list of all Vendors submitting proposals. There will be no public opening of proposals.

8. Non-Conforming Proposals

Non-conforming proposals will not be considered. Non-conforming proposals are defined as those that do not meet the requirements of this RFP. The determination of whether an RFP is non-conforming shall reside solely with OST.

9. Concise Proposals

OST discourages overly lengthy and costly proposals and prefers that proposals be prepared in a straightforward and concise manner. Unnecessarily elaborate brochures or other promotional materials beyond those sufficient to present a complete and effective proposal are not desired. OST's interest is in the quality and responsiveness of the proposal.

10. Realistic Proposals

Proposals must be realistic and must represent the best estimate of time, materials and other costs including the impact of inflation and any economic or other factors that are reasonably predictable. OST expects that Vendors can fully satisfy the obligations of the proposal in the manner and timeframe defined within the proposal. The State of Delaware shall bear no responsibility for a Vendor's failure to accurately estimate the costs or resources required to meet the obligations defined in the proposal.

11. Confidentiality of Documents

Subject to applicable law or the order of a court of competent jurisdiction to the contrary, all documents submitted as part of a Vendor's proposal will be treated as confidential during the evaluation process. As such, proposals will not be available for review by anyone other than OST, the Evaluation Team or their designated agents. There shall be no disclosure of any of Vendor's information to a competing Vendor prior to award of the contract unless such disclosure is required by law or by order of a court of competent jurisdiction.

The State of Delaware and its constituent agencies, including OST, are required to comply with the State of Delaware Freedom of Information Act, [29 Del. C. § 10001, et seq. \("FOIA"\)](#). FOIA requires that the State of Delaware's records are public records (unless otherwise declared by FOIA or other law to be exempt from disclosure) and are subject to inspection and copying by any person upon a written request. Once a proposal is received by the State of Delaware and a decision on a contract award is made, the content of selected and non-selected Vendor proposals will likely become subject to FOIA's public disclosure obligations.

The State of Delaware wishes to create a business-friendly environment and procurement process. As such, the State respects that Vendors desire to protect intellectual property, trade secrets, and confidential business information (collectively referred to herein as "confidential business information"). If a Vendor believes that it cannot submit a proposal without including confidential business information, it must adhere to the following procedure or such proposal may be deemed unresponsive, may not be recommended for selection, and any applicable protection for the Vendor's confidential business information may be lost.

In order to allow the State to assess its ability to protect confidential business information, Vendors will be permitted to designate appropriate portions of their proposal as confidential business information.

Vendors may submit portions of a proposal considered to be confidential business information in a separate, sealed envelope labeled "Confidential Business Information" and include the specific RFP number. The envelope must contain a letter from the submitting Vendor's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by *29 Del. C. § 10002*, and briefly stating the reasons that each document meets such definitions.

Upon receipt of a proposal accompanied by such a separate, sealed envelope, the State of Delaware will open the envelope to determine whether the procedure described above has been followed. A Vendor's allegation as to its confidential business information shall not be binding on the State. The State shall independently determine the validity of any Vendor designation as set forth in this section. Any Vendor submitting a proposal or using the procedures discussed herein expressly accepts the State's absolute right and duty to independently assess the legal and factual validity of any information designated as confidential business information. Accordingly, Vendors assume the risk that confidential business information included within a proposal may enter the public domain.

12. Discrepancies and Omissions

Vendor is fully responsible for the completeness and accuracy of its proposal, and for examining this RFP and all addenda. Failure to do so will be at the sole risk of Vendor. Should Vendor find discrepancies, omissions, unclear or

ambiguous intent or meaning, or should any questions arise concerning this RFP, Vendor shall notify the Designated Contact, in writing, of such findings at least fourteen (14) days before the deadline for receipt of proposals. This will allow issuance of any necessary addenda. It will also help prevent the opening of a defective proposal and exposure of Vendor's proposal upon which award could not be made. All unresolved issues should be addressed in the proposal.

Protests based on any omission or error, or on the content of the RFP, will be disallowed if these faults have not been brought to the attention of the Designated Contact, in writing, at least fourteen (14) calendar days prior to the deadline for receipt of proposals.

13. RFP Question and Answer Process

OST will allow written (email) requests for clarification of the RFP, ending on the date provided in the table on Page 1. Questions and answers will be compiled into a comprehensive document with Vendor names removed, which will be placed on the same websites as the original RFP. Questions about the RFP must refer to the specific page, section, paragraph and/or text. The Vendor will submit questions solely to the Designated Contact.

14. State's Right to Reject Proposals

OST reserves the right to accept or reject any or all proposals or any part of any proposal, to waive defects, technicalities or any specifications (whether they be in OST's specifications or Vendor's response), to sit and act as sole judge of the merit and qualifications of each proposal offered, or to solicit new proposals on the same project or on a modified project which may include portions of the originally proposed project as OST may deem necessary or otherwise in the best interest of the State of Delaware.

15. Receipt of Proposal Not a Contract

Vendor's submission of a proposal in connection with this RFP may result in OST selecting Vendor to engage in further discussions and negotiations toward execution of a binding contract. Neither the award of this RFP nor the commencement of such negotiations, constitutes a commitment by OST to execute a contract or to consummate negotiations.

16. Notification of Withdrawal of Proposal

Vendor may withdraw its proposal by written request, provided that both proposal and request are received by OST prior to the proposal due date. Proposals must be re-submitted prior to the proposal due date in order to be considered further.

17. Proposal Constitutes an Offer

All proposals received are considered firm offers if not withdrawn in writing prior to the proposal submission deadline.

18. Award of RFP

The Board has the statutory authority to award all banking services contracts. At its sole discretion, the Board may decide to award this contract to other than the lowest priced proposal, to award multiple contracts, or not award a contract.

19. Binding Agreement

Notice in writing to a Vendor of the acceptance of its proposal by OST and the subsequent full execution of a written contract pursuant to the terms below will constitute a binding agreement. No Vendor will acquire any legal or equitable rights or privileges until the occurrence of both such events.

VI. Contract Process

1. Formal Contract

Vendor(s) receiving an award of this RFP will be expected to enter into a formal contract with OST in the form attached hereto as Appendix B, as modified by the additional contract terms set out in sub-section 2 below. Vendors must note any material objections to the formal contract attached as Appendix B on the schedule of exceptions attached hereto as Attachment 5. A Vendor's subsequent negotiation of the terms of the standard contract not noted on Attachment 5 may result in cancellation of the award of the RFP to such Vendor.

2. Modification of Contract Terms

OST reserves the right to modify the terms and conditions of the standard contract attached hereto as Appendix B, subject to negotiation with Vendor in accordance with the exceptions taken and recorded on Attachment 5. Any modifications to the standard contract shall be determined by OST in its sole discretion, and OST may terminate such negotiations at any time for any reason, or for no reason.

3. Supplemental Terms

The formal contract may be supplemented with ancillary agreements specifically identified by the Vendor and agreed to by OST. The terms and conditions of any such agreements are subject to negotiation with the Vendor during the time frame set out below.

4. Time Frame

The successful Vendor shall promptly execute a contract as set out above within twenty (20) business days after award of the RFP. If no final contract has been executed by such date, OST reserves the right to cancel the award of this RFP to such Vendor and make a new award of the RFP to another Vendor.

5. Provision of Services

No Vendor is to begin any service prior to the execution of a formal contract by OST and the Vendor.

6. Cancellation of RFP Award

If the Vendor to whom the award is made fails to enter into a final contract as herein provided, the award will be annulled, and an award may be made to another Vendor.

7. Collusion or Fraud

Any evidence of agreement or collusion among Vendors acting to illegally restrain freedom from competition by agreement to offer a fixed price, or otherwise, will render the proposals of such Vendors void.

By responding to this RFP, the Vendor shall be deemed to have represented and warranted that: (i) its proposal is not made in connection with any competing Vendor submitting a separate response to this RFP; (ii) its approval is in all respects fair and without collusion or fraud; (iii) the Vendor did not participate in the RFP development process and had no knowledge of the specific contents of the RFP prior to its issuance; and (iv) no employee or official of OST participated directly or indirectly in the Vendor's proposal preparation.

8. Lobbying and Gratuities

Lobbying or providing gratuities shall be strictly prohibited. Vendors found to be lobbying, providing gratuities to, or in any way attempting to influence a State of Delaware employee or agent of OST concerning this RFP or the award of a contract resulting from this RFP shall have their proposal immediately rejected and shall be barred from further participation in this RFP.

The selected Vendor will warrant that no person or selling agency has been employed or retained to solicit or secure a contract resulting from this RFP upon agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, OST shall have the right to annul any contract resulting from this RFP without liability or, at OST's sole discretion, deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

9. Solicitation of State Employees

During the RFP process, Vendors shall not, directly or indirectly, solicit any employee of OST to leave OST's employ in order to accept employment with the Vendor, its affiliates, actual or prospective contractors, or any person acting in concert with Vendor, without prior written approval of OST. Solicitation of OST employees during the RFP process by a Vendor may result in rejection of the Vendor's proposal.

VII. Attachments and Appendices

Attachment 1	Questionnaire
Attachment 2	Pro Forma Bid Sheet
Attachment 3	Confidential Information Form
Attachment 4	Business References
Attachment 5	Exception Form

Attachment 6 Non-Collusion Statement
Attachment 7 Employing Delawareans Report

Appendix A Scope of Services

Exhibit 1 – Statement of Objectives and Guidelines for the Investment of
State of Delaware Funds

Exhibit 2 – Statement of Objectives and Guidelines for the Investment of
State of Delaware Funds Designated as the Delaware Land and Water
Conservation Trust Fund

Appendix B Professional Services Agreement

Attachment 1: Questionnaire

CONTRACT NUMBER: TRE1602-INVESTCUST

a) Experience

1. Provide an executive summary of your organization's Institutional Master Trust/Custody business unit. Include all relevant statistical information including, at a minimum the first year of providing custodial services, assets under custody.
2. Describe and/or provide your firm's core values, governing principles, and mission statement. How do these traits and/or goals relate to your firm's provision of the requested services? Why do they make your firm a "good fit" for this engagement?
3. Describe what differentiates your organization from other custodian banks. What is the value your organization provides to clients?
4. List and describe any significant contributions your firm has made in provision of the requested services that differentiates you from your competitors.
5. Does your organization focus on servicing any particular client types? If so, describe specific strengths and services/products your organization has for meeting the needs of the following client types: Corporate Defined Benefit Plans, Public Funds, Taft-Hartley Plans, Endowments/Foundations, Hospitals, and Defined Contribution Plans.
6. Include an organization chart of the Institutional Master Trust/Custody business unit, as well as an organization chart showing the position of the unit within the firm's overall management structure. Describe the firm's overall management structure, and how the Institutional Master Trust/Custody business unit fits within it.
7. List the office location(s) (primary and secondary) from which the work is to be delivered.
8. Are there any current organizational issues (i.e., mergers, acquisitions, personnel changes, business concerns, etc.) about your institution that we should know about? How about the last three years?
9. Complete the following matrix for total Institutional Master Trust/Custody assets and clients by type and asset size. Answer the question as asked and do not change the table. Describe what client types are included in the category labeled "Other".

	# of Clients	Assets under Custody	Median Client Size	Largest Client Size
Total Corporate Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Taft-Hartley Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Public Fund Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Endowment/Foundation Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Hospital Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Investment Manager Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Other Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				
Total Clients	0	0		
Under \$50 Million				
\$50-\$250 Million				
\$250-\$500 Million				
\$500-\$1,000 Million				
\$1-\$5 Billion				
Over \$5 Billion				

10. How many new Institutional Master Trust/Custody clients and assets have been added/lost in each of the past 5 years? Complete the matrix below. Also, for clients lost, provide reasons for termination.

Calendar Year	Added		Lost	
Year	Number	Dollar Amt	Number	Dollar Amt
2011				
2012				
2013				
2014				
2015				

11. Complete the following matrix for your organization's Institutional Master Trust/Custody business unit.

	# of People
Client Service	
Operations/Accounting	
IT/Systems Support	
Administrative Support	
Securities Lending	
Other	
Total	

b) Client Servicing

1. What is your approach to client servicing? What would be the most distinct element of your client servicing approach that the State would benefit from and consider exceptional relative to the custody industry?
2. How do you propose to staff for the State both from client servicing and actual daily service deliverables? Will your organization assign a day-to-day administrator to act as the point of contact for the OST?
3. What is the turnover over the last three years of the client servicing staff to be assigned to the State?
4. Please provide the names and bios of the client servicing team members as follows and as specified in the table below:

- Client Servicing (including Conversion Team)
- Accounting and Reporting
- Performance Reporting

Name	Responsibility	Location	Number of Client Relationships	Years with Bank	Years Experience and Credentials

5. Does the team handle other public or corporate fund clients with the same configuration as that of the State? Please enumerate other clients handled by the team.
6. Please discuss opportunities which your financial institution offers to clients for training and continuing education, and whether those educational opportunities would be available to the State.
7. Are you able to provide different levels of training and education to the State – at a minimum of 40 hours a year?

c) **Financial/Operation Risk**

1. Please enumerate substantive issues raised by independent auditors in your SSAE 16 and issues published in your Form 10-Q. Provide a copy of the most recent annual report, Form 10-Q and SSAE 16 (Tab I).
2. Provide your organization's current short term and long term credit rating.
3. Does your organization subcontract any of the services required by the State? Kindly state contract vendor name and for which service functions or deliverables.
4. Please describe your business continuity and disaster recovery plans. How often is the plan tested? When was the most recent test done? Indicate the date and results of the last testing of such emergency plan(s) and immediately report to the State the results of any subsequent test.
5. What will be the recovery time(s) and service level for critical custodial services in the case of a major disaster?
6. Does an outside auditor or consultant review your business continuity and disaster recovery plans? If so, what was the date of the last review? Describe the process which senior management follows in reviewing and implementing

recommendations.

7. If selected, will your organization agree to provide yearly audited financial statements for the length of the contract?

d) *Systems, R&D and Technology*

1. What are the Technology, Research & Development and Systems budgets (in actual US\$ terms) specific to trust and custody services over the next three years? What has been spent in the last three years?
2. Provide a brief description of the information delivery system or workstation for client interface. Describe the levels of service, if any.
3. Is the above information delivery system subcontracted or in-house? If subcontracted, please specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.
4. What data is available in your organization's on-line delivery system (i.e., assets, transactions, corporate actions, pending trades, receivables, accruals, compliance checking, cash positions & management and forecasting, performance, analytics, etc.)? Is training provided during the initial stages of conversion and ongoing?
5. What technical support and client service resources will be dedicated to the State account for the purposes of installing, upgrading, supporting, troubleshooting, and maintaining your on-line client information delivery products?
6. Would the State be required to use a specific Operating System to receive and view data? Can you deliver data via an internet portal?
7. Is information access done "real time on-line" or nightly batch download for the on-line systems? Please be specific.
8. Can we access your Internet deliverable and test-drive the application? If yes, please provide the site name and appropriate password.
9. What is your vision over the next five years in terms of your technology and processing capabilities that will ensure your competitiveness and existence?

e) Trade Processing, Settlement and Custody

1. Are you able to meet the following functions?
 - Accept daily instructions from the investment managers.
 - Advise investment managers of daily changes in cash equivalent balances.
 - Immediately advise investment managers of additions or withdrawals from account.
 - Resolve any problems that investment managers may have relating to custodial account.
 - Safekeeping of securities.
 - Interest and dividend collection.
 - Process all investment manager transactions.
 - Collect proceeds from maturing securities.
 - Disburse all income or principal cash balances as directed.
 - Provide monthly statements by investment manager account and consolidated statement of all assets on a total pool level and/or plan and participant unit levels.
2. What is distinct about your custodial capabilities that we should know about relative to the State of Delaware public funds?
3. Briefly describe the method and frequency of reconciling the custodian's positions with its depositories and sub-custodians.
4. Briefly describe the procedures used to ensure that physical securities are properly registered, transferred and in general, held, delivered and/or received in good deliverable form. Include any second party banks in the clearing of such securities.
5. State the value of assets held as of March 31, 2016 at Depository Trust Company and Federal Reserve and the length of the direct participant relationship with the custodians.
6. What were the trade volume (number and market value size) that you processed for the year ending December 31, 2015 and failed trades for US securities?

Trades	Volume (Number)	Total Market Value in US\$ millions	Fail Rate (%)
Purchases			
Sales			

f) Income Collection

- 1) Describe the custodian's standard policies on cash crediting and debiting, including cut-off deadlines for all securities, including an emphasis on domestic short term, intermediate and long term fixed income securities.

- 2) Describe your procedures for ensuring that interest or income is paid.
- 3) Will payments be credited in same day funds or clearinghouse funds for domestic securities?
- 4) When and in what instances do you rescind contractual income collections? What is/are your policy(s) for domestic fixed income securities, including short term instruments?
- 5) Does your organization have an auto credit program? If yes, describe the reason behind such a program? If no, why? Is there a fee associated with this service?
- 6) Do you track late collections of income? Can you produce a tracking report detailing outstanding claims? Do you notify clients of failures to collect or late collections of income?

g) Accounting and Reporting

Note: OST uses monthly audited statements for each individual account as source documentation to record income on a cash basis and reconcile account balances of an original purchase cost basis. Current statements include (but are not limited to) the following information:

- Statement of Changes in Net Assets
- Transaction Report
- Interest and Dividends Receivable
- Interest and Dividends Earned
- Portfolio Summary (including current return)
- Portfolio Detail
- Original Cost

At a minimum, OST needs the following information to be included in the monthly audited statements:

- Ending Accrued Interest Receivable
- Ending Tax Cost (Original Amount)
- Ending Book (Amortized) Value Current
- Ending Market Value
- Monthly Contributions by date
- Monthly Withdrawals by date
- Monthly Fees Paid by date
- Realized Gains (Losses) on Adjusted Book Value

Please provide an example of your firm's Monthly Audited Account Statements for similar public clients (Tab J).

- 1) What is your investment manager reconciliation policy and procedure before audited statements are sent to clients? Is this proactive, reactive, or is the onus with the investment manager to reconcile to your information?
- 2) Do you have built-in interfaces with the current investment managers (separate and commingled) of the State? Please specify for each manager.
- 3) Describe your organization's trust and plan (unit or dollar) accounting capability (include system name and year developed).
- 4) Is the system maintained in-house or subcontracted or service bureau arrangement with a third-party?
- 5) If subcontracted, please specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.
- 6) What are the different cost methodologies that you are able to deploy specific to fixed income securities?
- 7) Do you have the ability to do straight line, scientific amortization and other relevant accounting capabilities for cash pools?
- 8) The State considers the custodian as the "book of record" for assets and transactions. Do you accept this responsibility? Please describe.
- 9) What are the future or planned enhancements to your current accounting and reporting system? If planned changes or enhancements are envisioned, what are the advantages to clients?
- 10) Enumerate all data vendors utilized by your institution for pricing, fixed-income, derivatives (i.e., swaps, futures, etc.) and mortgage factors, etc. Specify primary, secondary and tertiary sources.

Pricing Sources	For what type of Securities, Instruments or Asset Class	Specify if Primary or Secondary	Daily Feeds (Yes or No)

- 11) What types of reports are available to clients? List both standard and non-standard reports. Please provide samples (Tab K).

- 12) Does your organization provide training in the interpretation and generation of accounting reports during the initial stages of conversion and on-going?
- 13) How many business days following the end of a reporting period are fully audited reports delivered via electronic delivery (i.e., on-line, PC download, CD, multimedia, etc.)?

Report Type <i>Sample Only</i>	# of Days Audited (On-line)	# of Days Unaudited (On-line)
Asset Statement		
Transactions		
Pending Trades		
Income		
Other		

- 14) Can the State be assured that audited statements will be available on the 5th business day after month end? Please explain.
- 15) Describe the basis for monthly audited reports. Are the asset holdings and transactions based on settlement date accounting, settlement date accounting with pending trade adjustments, or trade date accounting?
- 16) What type of public fiscal year end reports can your firm provide for financial statements (CAFR)? Are these reports customizable?

h) Cash Management (Short Term Investment Management)

- 1) What investment vehicles are available for short-term investments (i.e., STIF, Active Cash, Extended Maturity, etc.) applicable to the State? Please identify and describe investment policies and guidelines, including each of the following for each fund or investment vehicle. Provide the current fact sheet for any funds described below. Please note any investment will need to maintain a \$1.00 NAV.
 - a) Investment Philosophy/Investment Advisor
 - b) Objectives and Guidelines
 - OCC Reg 9 or SEC Rule 2a-7
 - Exposure Limits
 - Credit Quality
 - Duration
 - Maturity
 - Derivatives Policy
 - Floating Rate Note Policy
 - c) Quarterly Investment Performance Net of Fees - for the last five years
 - d) Total expense ratio for these services

- 2) For each, what is the total asset management fee (expense ratio) that you are able to provide on a relationship pricing basis?
- 3) For each of the short term investment funds or vehicles available, what are the current market values as of March 31, 2016? For each of the funds, what is the market value holding percentage controlled by the three biggest participants in the funds?
- 4) What is your daily overdraft policy? What is your schedule of charges for overdraft positions?
- 5) What is the cut-off time for cash contributions received during the day and invested same day? What is the latest cut-off and what sweep vehicle or fund would that be?
- 6) Do you have the capability to provide a cash availability projection report? How many days is the cash projection (i.e., 5 days, 10 days, 30 days, 60 days, 90 days, 180 days)? What is the maximum number of days cash can be projected?

i) Performance Measurement/Analytics

Note: OST currently receives the following performance reports from our current custodian:

- Market Value Return (both gross and net of manager fees)
- Book Value Return (both gross and net of manager fees) – book value being amortized return (i.e., market return +/- any unrealized market value gain/loss)
- A “Custom” Report – contains month-end tax cost of portfolio accounts, Cash Income (both gross and net of manager fees), average monthly market value balances, annualized current month market and book value net returns and average maturities

OST expects selected Vendor to continue to provide these reports.

- 1) Do you have a dedicated performance and analytics group? Please describe.
- 2) Can your organization provide monthly, quarterly, calendar and fiscal year-to-date, annual, one (1) year, three (3) year, five (5) year, ten (10) year, and since inception performance?
- 3) Can performance, gross and net of fees, be calculated for each period?
- 4) Can you backload historical returns?
- 5) Describe the process to assure GIPS/AIMR compliance.

- 6) What are the types of analytics and performance measurement currently available to clients specific to Fixed Income – short term, intermediate and long term? Include a description of how the external provider's system will be integrated with your records and the controls you will institute to ensure and validate the completeness, accuracy and integrity of the data and information generated by the system.
- 7) Are all of the performance measurement and analytic services described in the question above available on-line? If not, enumerate and specify the planned date of introduction for each.
- 8) Are there different levels of performance measurement and analytics services? If there are different service levels, describe whether they reside in one performance measurement module/system or multiple modules/systems.
- 9) What are your key strengths in the area of performance measurement and analytics specific to fixed income securities? What is different about your performance measurement and analytics capabilities in the area of fixed-income that we should know about?
- 10) What are relative weaknesses or capabilities that needs enhancement in your performance
- 11) Do you have drill down capabilities for commingled funds?
- 12) With reference to on-line delivery, does the State need to subscribe to third party vendors and separate on-line systems?
- 13) What benchmarks and universes are available? Are they available on-line? How far back do you carry historical returns? Can you produce and report custom benchmarks?
- 14) Provide sample reports of performance measurement and analytics services for fixed income (Tab L).
- 15) How many business days after month end are the performance reports available via hardcopy and on-line?

j) Investment Guideline Compliance and Risk Management

- 1) Is there a separate risk and control system, as well as a dedicated group, for derivatives and transaction risk management? When did you introduce the system?
- 2) What makes the system valuable to the client?

- 3) Does the system integrate guideline compliance into the automated trading process and actively monitor transactions and portfolio composition?
- 4) What are the different levels of compliance monitoring (i.e., basic, intermediate or advanced) that you provide? Are there different costs or fees for each level for your compliance monitoring services?
- 5) Is this compliance monitoring performed for all asset classes? Is it performed daily? Is it on a Post-Trade, Pre-Settlement basis? Is it available on-line?
- 6) What is distinct about your compliance monitoring service specific to fixed income securities?
- 7) How are clients and investment managers notified of a violation or breach in the investment policy and guidelines?
- 8) Are derivatives monitoring, risk control and compliance check services provided to any clients? Furnish three (3) client references currently using this service.

k) Pricing (will allow two scenarios – flat fee plus transactional – using a proforma excel spreadsheet)

- 1) Please provide an annual flat fee for custody services required by the OST. The flat fee should be quoted in a flat dollar (in US dollars) and flat asset based basis.

Monthly Valued and Unitized Structure

Funds	Flat Dollar Fee	Flat Asset Base
1 st Year		
2 nd Year		
3 rd Year		
4 th Year		
5 th Year		

- 2) Please provide a transactional basis estimate using the attached proforma. Please be as concise as possible. If Vendor has a slightly different “transaction” structure than the worksheet, please modify to accommodate your respective pricing model.

l) Conversion

- 1) Describe your approach to the implementation and conversion process. Include an estimated conversion calendar, including actions required on the part of the Fund

and the Master Custodian and the timeframe to complete each task.

- 2) Do you have a conversion manual? If so, provide a copy (Tab M).
- 3) What dedicated resources (personnel, equipment, training of personnel, consultants, etc.), procedures and controls will you provide or recommend in the conversion period to ensure that the conversion is completed successfully in both a timely and accurate manner?
- 4) How much time does a transition usually take?
- 5) What is the relationship between the transition team and the permanent account administration staff?
- 6) How do you handle transactions and claims that are in process during the transition/conversion period?
- 7) How do you handle the performance measurement files during the transition/conversion period?
- 8) Are you able and willing to backload historical data? Is there an additional fee?
- 9) Give a detailed description of any specific problems that occurred during transitions over the past year and solutions that were instituted.
- 10) Provide a summary of the problems that you reasonably expect to occur during a custody service conversion and your approach to resolving these anticipated problems.
- 11) What validations procedures do you perform to ensure completeness in the conversion process?

I) Securities Lending

1. Do you offer a securities lending program? When was it established? Is it offered directly or indirectly? If indirectly, who manages the program? Is securities lending available to all Master Trust / Custody clients? If not, please explain.
2. What is total size of securities lending program? What is the dollar size of your securities lending cash collateral reinvestment commingled investment pools? Separate accounts? List the markets in which you currently participate.
3. How many Master Trust/Custody clients participate in your securities lending program? What percentage of your U.S. client base is that?
4. Describe your collateralization policy. What forms of collateral do you accept? If you use cash collateral, how is it invested? Describe your cash collateralization policy on both a domestic and global basis.

5. How do you provide equal opportunity to all participating clients to lend their securities? Do you use a rotation (queuing) system; have you ever overridden the allocation process to accommodate a client? Are there clients outside the rotation system? How is loan income apportioned to multiple clients that own the same security? How are securities prorated from the various client accounts? When is income credited to client accounts?
6. What is the compensation to the bank for administering the program? Please provide security lending revenue splits on a fully indemnified and non-indemnified basis.
7. Does administration include all recordkeeping and reporting? Does your securities lending system interface with your security movement and control system? Include a copy of sample reports.
8. What reports on securities lending activity do clients receive and at what frequency? Include a description of your on-line reporting capabilities. Do you provide collateral reinvestment transparency reporting, i.e. maturity schedules, credit quality, sector breakdown, guideline compliance, etc.? How customizable are the reports? Please provide report samples including standard and those available through the on-line reporting system.

Attachment 2: Pro Forma Bid Sheet – provided as Excel spreadsheet

CONTRACT NUMBER: TRE1602-INVESTCUST

Pro Forma Bid Sheet Bid

State of Delaware - Investment Custody Services

CONTRACT NUMBER: TRE1602-INVESTCUST

Scenario #1 - Flat Fee

	Proposed Units	Proposed Unit Cost	Proposed Total Fee
Flat Fees	1	\$0	\$0
Other Costs	1	\$0	0
Total Flat Fee			\$0

Scenario #2 - Transactional Based Pricing Structure

	Proposed Units	Proposed Unit Cost	Proposed Total Fee
Separate Account	14	\$0	\$0
Cash Account	2	\$0	\$0
Sub Total	16		\$0

Asset Administration Charges

U.S. Assets	\$1,600,000,000	0.00	\$0
Sub Total	1,600,000,000		\$0

New Transaction Charges

Depository Transactions	3,400	\$0	\$0
Payups/Paydowns	660	\$0	\$0
Incoming/Outgoing Wires	170	0.00	\$0
Sub Total	4,230		\$0
Total Trust and Custody Fees			\$0

	Proposed Units	Proposed Unit Cost	Proposed Total Fee
Monthly Performance (Sector/Country Level)	14	\$0	\$0
Monthly Performance (Sector/Country Level) Per Consolidation	7	\$0	\$0
Monthly Performance Per Single Line Item	1	\$0	\$0
Monthly Analytics	14	\$0	\$0
Monthly Analytics Consolidation	3	\$0	\$0
Compliance Monitoring Service	1	\$0	\$0
Customized Report	1	\$0	\$0
Vendor Fees	1	\$0	\$0
Total Reporting Fees		\$0	\$0

	Proposed Units	Proposed Unit Cost	Proposed Total Fee
Out of Pocket Line 1	0	\$0	\$0
Out of Pocket Line 2	0	\$0	\$0
Out of Pocket Line 3	0	\$0	\$0
Out of Pocket Line 4	0	\$0	\$0
Total OOP Fees			\$0

Total			\$0
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Attachment 3: Confidential or Proprietary Information Form

CONTRACT NUMBER: **TRE1602-INVESTCUST**

- ☐ By checking this box, the vendor acknowledges that its proposal does not contain any information it declares to be confidential or proprietary for the purpose of production under 29 Delaware Code, Chapter 100, Delaware Freedom of Information Act.

Confidentiality or Proprietary Information

Note: Use additional pages as necessary.

Attachment 4: Business References

CONTRACT NUMBER: **TRE1602-INVESTCUST**

List a minimum of three business references, including the following information:

- Business Name and Mailing address
- Contact Name and phone number
- Number of years doing business with
- Type of work performed

Please do not list any State of Delaware employee as a business reference. If you have held a State of Delaware contract within the last 5 years, provide a separate list of the contract(s).

1.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
2.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
3.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	

Attachment 5: Exception Form

CONTRACT NUMBER: **TRE1602-INVESTCUST**

Proposals must include all exceptions to the specifications, terms or conditions contained in this solicitation. If the vendor is submitting the proposal without exceptions, please state so below.

- ☐ By checking this box, the vendor acknowledges that they take no exceptions to the specifications, terms or conditions found in this solicitation.

[illegible]

Note: Use additional pages as necessary.

Attachment 6: Non-collusion Statement

CONTRACT NUMBER: TRE1602-INVESTCUST

This is to certify that the undersigned vendor has neither directly nor indirectly, entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with this proposal submitted this date to the State of Delaware.

This is to further certify that the signed delivery of this bid represents the vendor's acceptance of the terms and conditions of this invitation to bid including all specifications and special provisions. This statement is signed by an official of the bank who is authorized to enter the bank into a legal agreement with the State of Delaware.

Please type the following information.

NAME OF BANK _____

ADDRESS OF BANK _____

AUTHORIZED OFFICIAL _____

TITLE OF OFFICIAL _____

SIGNATURE OF OFFICIAL _____

FEDERAL EMPLOYER IDENTIFICATION. NUMBER _____ DELAWARE BUSINESS LICENSE NUMBER _____

THIS PAGE MUST BE SIGNED AND NOTARIZED.

Sworn and subscribed before me this ____ day of _____, 2016.

Notary Public _____ My commission expires _____

City of _____ County of _____ State of _____

Name of Notary Public _____ Signature _____

Attachment 7: Employing Delawareans Report

CONTRACT NUMBER: **TRE1602-INVESTCUST**

As required by House Bill # 410 (Bond Bill) of the 146th General Assembly and under Section 30, no bid for any public works or professional services contract shall be responsive unless the prospective vendor discloses its reasonable, good-faith determination of:

1. Number of employees reasonably anticipated to be employed on the project: _____
2. Number of such employees who are bona fide legal residents¹ of Delaware: _____
3. Percentage of such employees who are bona fide legal residents of Delaware: _____
4. Total number of employees of the vendor: _____
5. Total percentage of employees who are bona fide residents of Delaware: _____

If subcontractors are to be used:

1. Number of employees who are residents of Delaware: _____
2. Percentage of employees who are residents of Delaware: _____

¹ "Bona fide legal resident" shall mean any resident who has established residence of at least 90 days in the State.

Appendix A: Scope of Services

CONTRACT NUMBER: TRE1602-INVESTCUST

1. **Custody Services** - Vendor will provide “best in class” custody services and meet all industry standards as follows:
 - a. Safekeeping of current assets held by investment managers and the ability to accommodate the entire universe of financial assets
 - b. Timely settlement and trade processing including the reconciliation of all transactions with investment managers
 - c. Active communication with investment managers regarding cash availability
 - d. Timely receipt and posting of interest/dividend income
 - e. Dedicated transition services to receive new assets or reallocate assets between investment managers
 - f. Secure procedure allowing authorized OST staff to facilitate the movement of cash to/from investment managers to meet liquidity needs
 - g. Periodic updating of custody services industry issues/regulation and assessment of client impact
2. **Accounting Services** – Vendor will provide accounting services that are GAAP and GASB compliant as follows:
 - a. Timely Monthly Audited Accounting Statements and Reporting
 - b. Unit or Dollar Trust/Plan Accounting for proper allocation of income earned to participants (applies to Land and Water Endowment accounts).
 - c. Ability to customized and generate fiscal year end reporting for public financial statements (CAFR)
 - d. Ability to provide reporting which is GASB compliant
 - e. Robust online reporting platform for both client and investment managers
 - f. Commitment to annual training for OST staff in the use of online reporting tools
3. **Performance Measurement, Analytics** – Vendor will possess an online platform capable of generating a wide variety of reports in various file formats (Excel, Adobe, etc.) that are GIPS compliant.
 - a. Capability to provide performance and risk measurement reporting (both standard and customized)
 - b. Robust online platform available for client inquiry and reporting (daily, monthly and annual)

- c. Ability to customized and generate fiscal year end reporting for public financial statements (CAFR)
- d. Dedicated resources for training client staff in the use of all online applications
- e. Ability to generate “executive summary” reporting for both CMPB needs and OST website for the public information

4. Compliance Monitoring, Corporate Actions and Regulatory Information

- a. Ability to provide month-end investment compliance monitoring depending on specific strategy (as specified in CMPB guidelines)
- b. Ability to provide client with corporate action notification based on security holdings
- c. Ability to monitor proposed custody industry legislation/changes and client notification of potential impact on their account(s)

5. Client Communication

- a. Vendor to provide annual fee analysis and recommendation for cost saving opportunities
- b. Vendor to periodically inform client of both new and/or existing services which may benefit client accounting and/or performance needs
- c. Vendor to inform client of investment options used by other clients that may be consideration by the CMPB and OST

Exhibit 1 to Appendix A

STATEMENT OF OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF STATE OF DELAWARE FUNDS

Originally adopted January 18, 1982. Revised August 12, 2015

1.0 Statutory Authorization

1.1 The Cash Management Policy Board (hereinafter the "Board") was created by 63 Del. Laws, c. 142, to establish policies (a) for the investment of all money belonging to the State or on deposit from its political subdivisions, except money deposited in any State Pension Fund or the State Deferred Compensation Program, and (b) to determine the terms, conditions, and other matters relating to those investments including the designation of permissible investments. (29 Del. C. §2716(a)).

1.2 The objectives and guidelines, as outlined herein, apply to all cash and special purpose funds for which the State is financially accountable (the "State's Fund"). These funds are categorized as outlined below.

1.2.1 Cash Accounts. The State's available cash divided into three parts:

1.2.1.1 Collection and Disbursement Accounts: The State maintains an amount of cash in its general collection and disbursement accounts sufficient to meet its outstanding obligations.

1.2.1.2 Cash and Liquidity Accounts: The majority of the State's cash balance available for investment is maintained in the cash and liquidity accounts. These accounts will be managed and invested by investment managers, selected by the Board through competitive bid, in order to maximize the return to the State while, at the same time, providing for safety of principal and sufficient liquidity for the State to meet its cash needs. The State will manage its short-term (12- to 18-month) investments to ensure sufficient liquidity and prevent their premature sale for the purpose of covering expenditures. Short-term investments should mature at face value in sufficient amounts to meet any needs.

1.2.1.3 Reserve Cash (Intermediate) Account: To the extent cash is not expected to be needed on short notice, the Board will direct the funding of a third part. This fund shall be managed and invested by an investment manager or managers, selected by the Board after a competitive bid, in order to maximize the return on said money to the State while providing for the safety of principal. The State will manage its intermediate investments to ensure they are made under circumstances and in amounts in which the State would not be forced to liquidate them at a loss.

1.2.2 Special Purpose Accounts. There are two primary types of Special Purpose accounts:

1.2.2.1 Endowment Accounts: Endowment accounts consist of funds set-aside for specified purposes. Endowment accounts include the Delaware Land and Water Conservation Trust Fund (hereinafter, the "Land and Water Fund"), which is subject to a separate set of objectives and guidelines for investment, and the Health Fund, which is subject to these general objectives and guidelines for investment.

1.2.2.2 Authority Accounts: The State's Authorities maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

2.0 Prudent Person Standard - as mandated by 29 Del. C. §2716, the State's funds shall be invested pursuant to the prudent person standard under the guidelines set forth below. The Board will review regularly its investment policies and strategies in light of the State's experience as well as economic and financial conditions. Any modifications to these guidelines shall be promptly communicated in writing to the investment managers acting pursuant thereto. The Board will consider special exceptions to these guidelines on a case-by-case basis. To the extent certain funds are subject to additional restrictions, the most limiting of the guidelines will apply to those funds.

3.0 Appendix A hereto lists the accounts within the State's Fund and the investment managers currently responsible for them.

4.0 Investment Objectives and Maturity Restrictions

4.1 Each of the accounts within the State's Fund shall be invested consistent with the primary objective for the account and the following general guidelines:

4.1.1 Where appropriate, the manager shall maintain a pool of liquid funds that is considered sufficient to meet the uncertainty of cash demands.

4.1.2 The remainder of the assets will be managed to produce the highest return available, consistent with liquidity and quality constraints, given the investment manager's outlook for interest rates and the economic environment.

4.1.3 Purchases in Violation of Guidelines

4.1.3.1 In the event that an investment manager purchases any security that violates the guidelines at the time of purchase, the Board expects the investment manager to remove the security from the State's portfolio as soon as possible. The Board will not require the investment manager to sell such securities at a loss. The investment manager will, however, absorb any investment losses or extraordinary costs associated with the purchase and sale of the security.

4.1.3.2 In case of such purchases, the Board expects an investment manager to ignore the book gains and losses and sell the security. An investment manager will inform the Delaware State Treasury about these transactions immediately.

4.1.4 Holding Securities in Violation of Guidelines

4.1.4.1 In the event that an investment manager holds any security that violates the guidelines after the time of purchase, as the result of a downgrade to below the specified purchase criteria, the Board requires the investment manager to remove the security from the State's portfolio immediately.

4.1.4.2 In such downgrade of currently held investments, the Board expects an investment manager to sell the securities without any consideration to the book gains and losses. An investment manager will inform the Delaware State Treasury about these transactions immediately.

4.2 The objectives and maturity restrictions for each of the investable account types are outlined below.

4.2.1 Cash Account Investment Objectives:

4.2.1.1 The funds in the Cash Account must be available to support State governmental programs and activities. Since the amount of assets available for investment will fluctuate, the investment program adopted must allow the State to meet both anticipated and unanticipated cash demands. The primary objective of this account is, therefore, to be invested so as to provide sufficient liquidity to meet the State's needs

for funds as they arise. (In this respect, liquidity is defined as the ability to realize, when required, the amount originally invested).

4.2.1.2 In order to facilitate the management of the Cash Account, each week the Cash Management Unit of the State Treasurer's Office will provide its best estimate of revenue receipts and expected expenditures to the investment manager for the succeeding one, two, three, and four-week periods. The investment manager shall recognize that it must allow for daily variations in cash demands by maintaining a portion of the account in overnight investments.

4.2.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase for the Cash Account shall be one year.

4.2.3 Liquidity Accounts

4.2.3.1 Investment Objectives: The primary investment objectives of the Liquidity Accounts are to maximize yield and to maintain safety of principal. In the event a cash withdrawal is necessary, the investment manager will be given as much advance notification as possible.

4.2.3.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase (Settlement Date) shall be two years for the Liquidity Accounts.; notwithstanding the foregoing, the term for securities identified in Sections 6.4, 6.10, and 6.11 that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.

4.2.4 Reserve Cash (Intermediate) Account

4.2.4.1 Investment Objectives: The Reserve Cash Account has been established to provide funding over an intermediate horizon. The primary investment objectives, therefore, are to maximize yield and maintain safety of principal during the investment period.

4.2.4.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase (Settlement Date) shall be ten years. The maximum average maturity of the portfolio shall be seven years.

4.2.5 Endowment Accounts

4.2.5.1 Investment Objectives: Endowment accounts are established to provide a long-term funding source. The primary investment objectives are to maximize yield and maintain safety of principal.

4.2.5.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase shall be ten years. The maximum average maturity of the portfolio shall be seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.

4.2.6 Authority Operating, Bond and Debt Service Reserve Fund Accounts

4.2.6.1 Investment Objectives: State Authorities maintain various operating, bond and debt reserve funds, the investment of which is governed by statutes, bond trust agreements or Federal guidelines. The investment objectives of the operating, bond and debt service reserve funds include maximizing yield and maintaining the safety of principal. (Current tax law requires that aggregate earnings in excess of the bond yield on bond and debt service reserve funds, however, must be rebated to the Federal government).

4.2.6.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase shall be ten years, except when prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

5.0 Investment Restrictions

5.1 The Board has adopted the following restrictions and policies relating to the investment of its assets. The policies are fundamental and may not be changed without written approval of the Board.

5.2 The investment manager may not:

5.2.1 Purchase any securities other than money market and other securities described under Section 6, "Permissible Investments," subject to the percentage of account limitations as defined in Section 9.0, "Percentage of Account Limitations," hereof;

5.2.2 Make investments for the purpose of exercising control or management of an issuer;

5.2.3 Purchase or sell real estate (other than money market securities secured by real estate or money market securities issued by companies which invest in real estate, or interests therein), commodities or commodity contracts, interests in oil, gas or other mineral exploration or development programs;

5.2.4 Purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities;

5.2.5 Make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof;

5.2.6 Make loans to other persons, provided that the investment manager may purchase money market securities or enter into repurchase agreements;

5.2.7 Mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held;

5.2.8 Invest in securities (except for repurchase agreements or variable rate master demand notes) with legal or contractual restrictions on resale or for which no readily available market exists; except for private placements considered not to be illiquid, but, instead, readily marketable by issuing dealers and the investment manager.

5.2.9 Act as an underwriter of securities; or

5.2.10 Buy or sell any authorized investment when it is a party or any related or affiliated party in the transaction on both sides, except that it may enter into a repurchase agreement with itself when the maturity does not exceed one business day and the amount does not exceed \$500,000.

6.0 Permissible Investments. The following investments are permissible for all funds under the review of the Cash Management Policy Board, subject to the percentage limitations summarized in Section 9.0 hereof.

6.1 United States Government Securities. Marketable securities issued by the U.S. government and supported by the full faith and credit of the U.S. Treasury either by statute or an opinion of the attorney general of the United States.

6.2 Government Agency Securities. Debt securities issued by government-sponsored enterprises, federal agencies, federal financing banks, and international institutions part of whose capital stock has been subscribed for by the United States.

6.3 Certificates of Deposit, Time Deposits, and Bankers Acceptances.

6.3.1 Domestic Institutions: Issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under federal or any state laws, or any of its branches located in the United Kingdom, the Bahamas, or the Cayman Islands and denominated in U.S. dollars; provided, however, that:

6.3.1.1 The banking institution has assets of not less than \$5 billion;
and

6.3.1.2 The banking institution is rated not lower than "B" by Fitch, Inc. (formerly Thomson's BankWatch Service).

6.3.2 Non-Domestic Institutions: Issued or endorsed by a non-domestic bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway and denominated in U.S. dollars, provided, however, that:

6.3.2.1 The banking institution has assets of not less than \$5 billion;
and

6.3.2.2 The banking institution has a Fitch, Inc. (formerly Thomson's BankWatch Service) "Peer Group Rating" not lower than II.

6.3.3 Delaware-Domiciled Institutions: The Cash Account, and only the Cash Account, may also be invested in Certificates of Deposit, Time Deposits, and Bankers Acceptances issued by or endorsed by any bank or savings association domiciled in the State of Delaware and organized and supervised under federal or State of Delaware banking laws which does not meet the requirements of Subsection 6.3.1 hereto; provided, however, that:

6.3.3.1 For each of the latest two years, the bank or association has had a return on total average assets of 0.50% or greater and an average capital ratio (defined as total equity capital to total assets) of at least 1 to 20, or the instrument is secured as set forth in Section 8, "Collateralization of State Deposits," hereto; and

6.3.3.2 Not more than the lesser of \$10 million or 25% of an issuer's total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

6.3.3.3 The Board expressly affirms that, consistent with these guidelines, Delaware banks and savings associations should be considered as a source of investment.

6.4 Corporate Debt Instruments. Such instruments include commercial paper, variable rate master demand notes, and non-convertible debt securities (bonds and debentures); provided, however, that:

6.4.1 Any such instrument must be issued by a U.S. corporation or a non-domestic corporation subject to the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, and Norway and denominated in U.S. dollars; and

6.4.2 Commercial paper investments must be rated not lower than "A-2" by Standard & Poor's ("S&P") and/or "P-2" by Moody's Investors Service ("Moody's") and/or "F2" by Fitch Ratings ("Fitch"), and the senior long-term debt of the issuer must be rated not lower than "A" by S&P and/or "A" by Moody's and/or "A" by Fitch (excluding asset-backed commercial paper that is rated A1 or better). Investments in corporate bonds and debentures must be rated at least "single A-" rating by S&P, Moody's or Fitch, and no split ratings below "-single A-" rating. Single A- would equate to A- by S & P, A3 by Moody's and A- by Fitch.

6.4.3 Any such instrument may be backed fully by an irrevocable, unconditional letter of credit issued by a bank which meets the requirements of Subsections 6.3.1 or 6.3.2 hereto. The security will count as a holding of the letter of credit provider for purposes of applying the percentage limitations outlined in Section 9 hereto.

6.5 Repurchase Agreements. The underlying securities shall consist of U.S. government or government agency securities, certificates of deposit, commercial paper or bankers acceptances; provided, however, that:

6.5.1 All repurchase transactions must be governed by written repurchase agreements;

6.5.2 Agreements will be entered into only with respect to underlying securities in which the investment manager may otherwise invest as described above, and only with a recognized U.S. Government/broker or a bank which meets the requirements set out under Subsection 6.3 above;

6.5.3 In the case of repurchase collateral held in book-entry form in the Federal Reserve System, all deliveries of securities must be made, for the transfer thereof, through the Federal Reserve book-entry system to the account designated by the investment manager for such purpose. Securities held in certificated form must be delivered to the investment manager or a custodian as directed by the investment manager; and

6.5.4 Any collateral employed under this paragraph shall be counted towards the applicable maximum limits set forth within these guidelines for such type of investment, and such collateral shall be valued at market at not less than 102 percent of the maturity value of the agreement and marked-to-the-market as requested by the investment manager.

6.6 Reverse Repurchase Agreements. The investment manager may enter into reverse repurchase agreements which involve the sale of money market securities held by the State, with an agreement to repurchase the securities at an agreed upon price, date and interest payment, so long as:

6.6.1 The agreement is entered into only with a recognized U.S. government broker/dealer or a bank which meets the requirements set out under Subsection 6.3 above who is acting as a principal to the agreement;

6.6.2 The State's securities are sold at not less than 98% of their fair market value including all accrued interest; and

6.6.3 The investment manager marks-to-market as appropriate.

6.7 Money Market Funds. The money market fund(s) selected by the investment manager shall be consistent with the investment quality guidelines as stated in this document.

6.8 Canadian Treasury Bills. Marketable securities issued by the government of Canada, which are fully hedged against fluctuations in foreign exchange markets.

6.9 Canadian Agency Securities. Debt securities issued by the Export Development Corporation, a Federal Crown Corporation and an agent of Her Majesty in Right of Canada. These securities are issued as U.S. dollar denominated commercial paper having a maximum maturity of 270 days.

6.10 Mortgage-Backed Securities. The Cash Reserve (Intermediate) Account and Liquidity Account may invest in AAA-rated Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities in the form of pass-throughs. The average life of these securities in the Liquidity Account is not to exceed two years; notwithstanding the forgoing, the term for such securities that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.

6.11 Asset Backed Securities. These investments include auto loan receivables, credit card receivables, home equity loans, and manufactured housing loans. These can be

fixed or floating rate and purchased tranches must be rated AAA by a major rating agency. The average life of these securities must not to exceed two years; notwithstanding the forgoing, the term for such securities that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.

6.12 Municipal Obligations. Taxable and tax-exempt securities issued by state and local governments and public authorities in the U.S. These investments are permissible only for the Cash Reserve (Intermediate) Account.

7.0 Additional Permissible Investments for Special Purpose Accounts Only

7.1 Guaranteed Investment Contracts. From time to time, a situation arises whereby it is prudent to match a specific investment instrument with a known specific future liability. Guaranteed investment contracts, subject to the credit quality guidelines outlined in Subsection 6.4.2 above and with adequate exit provisions in the event of the future downgrade of the issuer, are permitted to be purchased in these circumstances.

7.2 Asset Backed Securities and Trust Certificates. Securities secured by specific collateral and specified related acquisition payments assigned by a trust agreement, contract or indenture.

8.0 Collateralization of State Deposits. If the State of Delaware deposits any funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

8.1. Collateralize the State's total average monthly ledger balance(s) if, for any quarter during the most recent eight quarters, the bank has not met both of the following two criteria:

8.1.1 Return on total average assets of 0.50 percent or greater.

8.1.2 Average capital ratio (total equity to total assets) of 5.00 percent or greater.

8.2 If either criterion in Subsection 8.1 is not satisfied collateral must be pledged and shall consist of one or more of the following securities:

8.2.1 U.S. Government securities.

8.2.2 U.S. Government agency securities.

8.2.3 Federal Home Loan Board letters of credit.

8.2.4 State of Delaware securities.

8.2.5 Securities of a political subdivision of the State of Delaware with a Moody's rating of "A" or better.

8.3 Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102 percent (102%) of the total average monthly ledger balance(s) (net of FDIC insurance limits) held in all accounts. The financial institution is required to make any necessary collateral adjustments by the third business day of the following month.

8.4 Ensure that securities pledged as collateral are housed at the Federal Reserve Bank.

8.5 Provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged.

8.6 Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the State Treasurer's Office.

9.0 Percentage of Account Limitations. The purchase of the securities outlined in Section 6 cannot exceed the following percentage limits of the Account, valued at market.

Investments due to mature in one business day may be excluded from the computation of said percentages.

- 9.1. U.S. Government. No Restrictions.
- 9.2. Government Agency. 50% total, 20% in any one agency.
- 9.3. CDs, Time Deposits and Bankers Acceptances. 50% total, 5% in any one issuer.
 - 9.3.1 Domestic. No additional restrictions.
 - 9.3.2 Non-Domestic. 25%.
 - 9.3.3 Delaware Domiciled. See Subsection 6.3.3 hereof.
- 9.4. Corporate Debt. 50% total, 25% in any one industry, 5% in any one issuer, 5% of any issuer's total outstanding securities.
 - 9.4.1 Domestic. No additional restrictions.
 - 9.4.2 Non-Domestic. 25%, 5% in any one issuer.
- 9.5. Repurchase Agreements. 50% total.
- 9.6. Reverse Repurchase Agreements. 25% total.
- 9.7. Money Market Funds. 25% total, 10% in any one fund.
- 9.8. Canadian Treasuries. 25% total, 10% in any one agency.
- 9.9. Canadian Agency Securities. 25% total, 10% in any one agency.
- 9.10. Mortgage-backed and asset backed securities. 10% total (combined with Subsection 9.13, below if applicable).
- 9.11. Municipal Obligations. 5% in any one issuer.
- 9.12. Guaranteed Investment Contracts. See Subsection 7.1 hereof.
- 9.13. Asset Backed Securities and Trust Certificates. 10% total (when combined with Subsection 9.10 above).

10.0 Account Reviews. The investment manager(s) shall meet with the Board periodically to review the investment outlook, structure of the accounts, and historic results. A general agenda for these meetings shall include but not be limited to:

- 10.1 A review of the investment results achieved over the prior quarter and year in relation to the account restrictions and the investment manager's investment views and internal policies in effect prior to, and during the period;
- 10.2 The investment manager's current outlook for the financial markets during the next six to twelve months;
- 10.3 The investment manager's internal investment policies that have been adopted in response to these expectations;
- 10.4 The appropriateness of the present portfolio given the expectations, internal investment policies and the State's requirements; and
- 10.6 A review of the guidelines relative to any constraint that the investment manager feels limits his/her ability to respond to market developments in a manner consistent with the investment objectives.

APPENDIX A

The names of the various State Funds and their respective investment managers are listed below.

Current Title of Account Investment Manager

Cash Accounts:

1. Collection and Disbursement Accounts

- ◆ Over-the-Counter Deposits — Citizens Bank
- ◆ Electronic Transfers — BNY Mellon
- ◆ General Disbursement — PNC Bank

2. Liquidity Accounts

- ◆ Cutwater Asset Management
- ◆ PFM Asset Management LLC
- ◆ Wells Capital Management
- ◆ Wilmington Trust Investment Advisors

3. Reserve Cash (Intermediate) Account

- ◆ Chandler Asset Management
- ◆ Federated Investors, Inc.
- ◆ J.P. Morgan Asset Management
- ◆ Morgan Stanley Investment Management
- ◆ Schroder Investment Management North America, Inc.

4. Special Purpose Accounts

- ◆ Health Fund — Schroder Investment Management North America, Inc.
- ◆ Land and Water — J.P. Morgan Investment Management
Morgan Stanley Investment Management
SEI Investment Management Corporation

5. Custodian

- ◆ BNY Mellon

Exhibit 2 to Appendix A

OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF STATE OF DELAWARE FUNDS DESIGNATED AS THE DELAWARE LAND AND WATER CONSERVATION TRUST FUND

29 Del. C. §2716

29 Del. C. §8017A

30 Del. C. §5423

1.0 Statutory Authorization

1.1 The Cash Management Policy Board (hereinafter the "Board") was created by 63 Del. Laws, c. 142, to establish policies (a) for the investment of all money belonging to the State or on deposit from its political subdivisions, except money deposited in any State Pension Fund or the State Deferred Compensation Program, and (b) to determine the terms, conditions, and other matters relating to those investments including the designation of permissible investments. (29 Del. C. §2716(a)).

1.2 The Delaware Land and Water Conservation Trust Fund was created under the 30 Del. C. §5423, including an endowment account (the "Endowment") to be invested in a manner consistent with investment guidelines as approved by the Cash Management Policy Board (the "Board").

2.0 Investment Managers.

2.1 The Endowment will be invested by three Investment Managers selected by the Board, each of which Investment Managers will invest an equal share of the Endowment employing the same investment guidelines.

2.2 The spending policy and the Endowment shall be invested subject to guidelines as set forth in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

2.3 The Investment Managers will be provided with general guidelines and will be given the latitude to invest prudently within the ranges established by the guidelines based upon their respective judgment.

2.4 Each of the Investment Managers will possess expertise in Asset Allocation, Equity Investments, Fixed Income Investments and Alternative Investments.

3.0 Investment Philosophy.

3.1 The investment perspective of this Endowment is long-term.

3.2 The Investment Managers selected will receive three-year contracts so the Board can review results over a reasonable period of time.

3.2.1 Results will be reported quarterly to the Board and yearly review meetings will be expected at a minimum.

3.2.2 A Consultant to the Board will also receive investment results monthly and will advise the Board should there be extreme volatility or investment results that the consultant deems worthy of notification to the Board.

4.0 Asset Allocation Guidelines.

4.1 The "target" amount of funds allocated to each Investment Manager to be invested in equities shall be sixty percent (60%) of total funds so allocated, within a range of forty-five to seventy-five percent (45-75%) of total funds. International equities are limited to thirty-five percent (35%) of the total funds invested in equities.

4.2 The "target" amount of funds allocated to each Investment Manager to be invested

in a combination of fixed income securities, alternative investments, and cash shall be forty percent (40%) of total funds so allocated, within a range of twenty-five to fifty-five percent (25-55%) of total funds. At least five percent (5%) of total funds shall be held in cash by the Office of the State Treasurer at the direction of the Cash Management Policy Board at all times.

4.3 The managers will be provided asset allocation guidelines with wide ranges so that they are able to express their specific market views. Individual securities, exchange-traded funds, mutual funds, separately-managed accounts, limited partnerships are all acceptable investment vehicles as “alternative investments.” This list is not intended to be exhaustive.

Appendix B: Professional Services Agreement

CONTRACT NUMBER: TRE1602-INVESTCUST

PROFESSIONAL SERVICES AGREEMENT for DIRECT DEPOSIT BANKING SERVICES ISSUED BY THE CASH MANAGEMENT POLICY BOARD

This Professional Services Agreement ("Agreement") is entered into as of _____, 20____ ("Effective Date") and will end on _____, 20____, by and between the State of Delaware, ("Delaware"), and _____, ("Vendor"), with offices at _____.

WHEREAS, Delaware desires to obtain those services set out in the Statement of Work on Exhibit 1 to this Agreement _____ on behalf of Delaware's Cash Management Policy Board ("Board");

WHEREAS, Vendor desires to provide such services to Delaware on the terms set forth below;

WHEREAS, Delaware and Vendor represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, Delaware and Vendor agree as follows:

1. Services and Term.

- 1.1. Vendor shall perform for Delaware the services as specified on Exhibit 1 to this Agreement, attached hereto and made a part hereof, as well as such services or work as Delaware may request from time to time and for which the parties shall mutually agree (collectively, "Services").
- 1.2. If and when Delaware desires any addition or deletion to the Services or a change in the Services, it shall notify Vendor, who shall then submit to Delaware a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by Vendor for any aspect of its performance under this Agreement. To the extent set out herein, pricing of changes shall be consistent with those established within this Agreement. Any such changes in pricing shall be reflected in an amended and updated Exhibit 2 to this Agreement. No work for which additional compensation may be charged by Vendor shall be furnished, without the prior written authorization of Delaware.
- 1.3. The initial three-year term of this Agreement shall be from January 1, 2017 through December 31, 2019 provided that the initial term can be extended at Delaware's sole option for up to two additional one-year terms upon written notice to Vendor no later than 60 days prior to the expiration of the initial term or an optional term, as the case may be.

2. Payment for Services and Expenses.

- 2.1. Delaware will pay Vendor for the performance of Services in accordance with the payment schedule set out on Exhibit 2 attached hereto and made a part hereof.
- 2.2. Delaware's obligation to pay Vendor for the performance of Services will not exceed the fee amounts set out on Exhibit 2. It is expressly understood that the Services must be completed by Vendor and it shall be Vendor's responsibility to ensure sufficient competency and efficiency so that all Services are completed for the agreed upon fees.
- 2.3. Unless otherwise provided on Exhibit 2, all payments will be sent to the Vendor's identified address on record with Delaware's Division of Accounting as identified in the completion of the electronic W-9.
- 2.4. Vendor shall submit quarterly invoices to Delaware in sufficient detail to identify the Services provided during the previous quarter. Delaware agrees to pay those invoices within thirty (30) days of receipt. In the event that Delaware disputes all or any portion of an invoice, Delaware agrees to provide Vendor with a detailed statement of Delaware's position on the invoice, or disputed portion of the invoice, within thirty (30) days of receipt.
- 2.5. Unless provided otherwise in Exhibit 1, all expenses incurred in the performance of the Services are to be paid by Vendor. If Exhibit 1 specifically provides for expense reimbursement, Vendor shall be reimbursed only for reasonable expenses incurred by Vendor in the performance of the Services, including, but not necessarily limited to, travel and lodging expenses, communications charges, and computer time and supplies.
- 2.6. Delaware is a sovereign entity, and shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of this Agreement.
- 2.7. Delaware shall have the right to set aside or subtract from any payment to be made to Vendor all damages, costs and expenses caused by Vendor's negligence, resulting from or arising out of errors or omissions in Vendor's provisions of Services hereunder.
- 2.8. Invoices shall be submitted to:

**Director – Finance & Investment Services
Office of the State Treasurer
820 Silver Lake Blvd., Suite 100
Dover DE 19904**

3. Time Schedule.

- 3.1. A project schedule is set out on Exhibit 3, if applicable, attached hereto and made part hereof.
- 3.2. Any delay of Services or change in the sequence of Services, as applicable, must be approved in writing by Delaware.
- 3.3. In the event that Vendor fails to complete the Services or any portion thereof within the time specified in Exhibit 3, or with such additional time as may be granted in writing by Delaware, or fails to perform the Services, or any separable part thereof, with such

diligence as will insure its completion within the time specified in Exhibit 3 or any extensions thereof, Delaware shall suspend the payments scheduled as set forth in Exhibit 2.

4. Responsibilities of Vendor.

- 4.1. Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all Services furnished by Vendor, its subcontractors and its and their principals, officers, employees and agents under this Agreement. In performing the Services, Vendor shall follow practices consistent with generally accepted professional and technical standards and comply with all applicable federal, state and local laws, ordinances, codes and regulations.
- 4.2. Vendor shall be responsible for ensuring that all Services, additional work, products and deliverables furnished pursuant to this Agreement comply with the standards promulgated by Delaware's Department of Technology and Information ("DTI") published at <http://dti.delaware.gov/>, and as modified from time to time by DTI during the term of this Agreement. If any Service, additional work product or deliverable furnished pursuant to this Agreement does not conform to DTI standards, Vendor shall, at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to DTI standards. Vendor shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to Delaware caused by Vendor's failure to ensure compliance with DTI standards.
 - 4.2.1 Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all Services furnished to Delaware. Vendor shall follow practices consistent with generally accepted professional and technical policies and standards. Vendor shall be responsible for ensuring that all Services, products, and deliverables furnished to Delaware are consistent with practices utilized by, or policies and standards promulgated by, DTI published at <http://dti.delaware.gov/information/standards-policies.shtml>. If any service, product or deliverable furnished by Vendor does not conform to DTI's policies, standards or general practices, Vendor shall at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to DTI's policies, standards or practices.
 - 4.2.2 DTI is responsible for safeguarding the confidentiality and integrity of data in Delaware's computer files regardless of the source of those data or medium on which they are stored; e.g., electronic data, computer output microfilm (COM), tape, or disk. Computer programs developed to process Delaware agency data shall not be modified without the prior knowledge and written authorization of DTI. All data generated from the original source data, shall be the property of Delaware. The control of the disclosure of those data shall be retained by Delaware and DTI.

Vendor is required to agree to the requirements in the Confidentiality (Non-Disclosure) and Integrity of Data Agreement ("Data Agreement"), which is attached as Exhibit 4 and made a part of this Agreement. Vendor employees, individually, may be required to sign the Data Agreement prior to beginning any work.

- 4.2.3 As computer, network, and information security are of paramount concern, Delaware wants to ensure that computer/network hardware and software do not compromise the security of its IT infrastructure. Therefore, Vendor, is guaranteeing that any system or software meets or exceeds the Top 20 Critical Security controls located at: <http://www.sans.org/critical-security-controls/>.
- 4.2.4 It shall be Vendor's duty to assure that all products of its effort do not cause, directly or indirectly, any unauthorized acquisition of data that compromises the security, confidentiality, or integrity of information maintained by Delaware. Vendor's agreement shall not limit or modify, liability for information security breaches, and Vendor shall indemnify and hold harmless Delaware, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) arising out of such breaches. In addition to all rights and remedies available to it in law or in equity, Delaware shall subtract from any payment made to Vendor all damages, costs and expenses caused by such information security breaches that have not been previously paid to Vendor.
- 4.2.5 Multifunction peripherals must be hardened when used or connected to the network. They should be configured to harden the network protocols used, management services, processing services (print, copy, fax, and scan), logging, and physical security. Care shall be taken to ensure that any Delaware non-public data is removed from memory before service calls and/or equipment disposal.
- Electronic information storage devices (hard drives, tapes, diskettes, compact disks, USB, multifunction peripherals, etc.) shall be disposed of in a manner corresponding to the classification of the stored information, up to and including physical destruction.
- 4.2.6 Vendor shall be responsible for complying with the Terms and Conditions for Cloud Providers and External Hosting listed in Exhibit 5.
- 4.3. It shall be the duty of the Vendor to assure that all Services are technically sound and in conformance with all pertinent federal, state and local statutes, codes, ordinances, resolutions and other regulations. Vendor will not produce a work product that violates or infringes on any copyright or patent rights. Vendor shall, without additional compensation, correct or revise any errors or omissions in its work product.
- 4.4. Permitted or required approval by Delaware of any Services by Vendor shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of such work. Delaware's review, approval, acceptance, or payment for any of Vendor's Services shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and Vendor shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to Delaware caused by Vendor's performance or failure to perform under this Agreement.
- 4.5. Vendor shall appoint a senior employee who will manage the performance of Services and act as the single point of contact to the Board and Delaware. All of the Services shall be performed by such employee, or by Vendor's associates and employees under the direct personal supervision of such employee.

- 4.6. Designation of persons for each position is subject to review and approval by Delaware. Should the staff need to be diverted off the project for what are now unforeseeable circumstances, Vendor will notify Delaware immediately and work out a transition plan that is acceptable to both parties, as well as agree to an acceptable replacement plan to fill or complete the work originally assigned to the diverted project staff at no cost to Delaware. Selected replacement staff are subject to review and approval by Delaware. If Vendor fails to make a required replacement within 30 days, Delaware may terminate this Agreement for default. Upon receipt of written notice from Delaware that an employee of Vendor is unsuitable to Delaware for good cause, Vendor shall remove such employee from the performance of Services and substitute in his/her place an employee suitable to Delaware.
- 4.7. Vendor shall furnish to Delaware's Designated Contact (as defined in Section 19 below) copies of all correspondence to regulatory agencies for review prior to mailing such correspondence.
- 4.8. Vendor agrees that its officers and employees will cooperate with Delaware in the performance of Services and will be available for consultation with Delaware at such reasonable times with advance notice so as to not conflict with their other responsibilities.
- 4.9. Vendor has or will retain such employees as it may need to perform the Services. Such employees shall not be employed by Delaware or any political subdivision of Delaware.
- 4.10. Vendor will not use Delaware's name, either express or implied, in any of its advertising or sales materials without Delaware's express written consent.
- 4.11. Vendor and all subcontractors represent that they are properly licensed and authorized to transact business in Delaware as provided in 30 *Del. C.* §2502.
- 4.12. Vendor will provide financial statements to Delaware as requested, whether or not the vendor is a privately-held or publicly-held company.

5. Delaware Responsibilities.

- 5.1. Delaware agrees that its officers and employees will cooperate with Vendor in the performance of Services and will be available for consultation with Vendor at such reasonable times with advance notice so as to not conflict with their other responsibilities.
- 5.2. The Services performed by Vendor shall be subject to review for compliance with the terms of this Agreement by Delaware's Designated Contact.
- 5.3. The Designated Contact may delegate any or all responsibilities under the Agreement to appropriate staff members, and shall so inform Vendor by written notice before the effective date of each such delegation. The review by Delaware's Designated Contact may be reported in writing to the Vendor but shall not relieve Vendor from the responsibility for the professional and technical accuracy of all Services delivered under this Agreement.

6. Work Product.

- 6.1. All materials, information, documents, and reports, whether finished, unfinished, or draft, developed, prepared, completed, or acquired by Vendor for Delaware relating to the Services to be performed hereunder shall become the property of Delaware and shall be delivered to Delaware's Designated Contact upon completion or termination of this Agreement, whichever comes first. Delaware shall have the right to reproduce all documentation provided in connection with or otherwise supplied pursuant to this Agreement.
- 6.2. Vendor may retain title and interest to the data furnished and/or generated by Vendor pursuant to this Agreement but only to the extent that retention of such title and interest does not conflict with Delaware's rights to the materials, information and documents developed in performing the Services. Delaware shall have a perpetual, nontransferable, non-exclusive paid-up right and license to use, copy, modify and prepare derivative works of all materials in which Vendor retains title, whether individually by Vendor or jointly with Delaware. The parties will cooperate with each other and execute such other documents as may be reasonably deemed necessary to achieve the objectives of this Section.

7. Confidential Information.

To the extent permissible under 29 *Del. C.* §10001, et seq., the parties to this Agreement shall preserve in strict confidence any information, reports or documents obtained, assembled or prepared in connection with the performance of this Agreement.

8. Warranty.

- 8.1. Vendor warrants that the Services will be performed in a good and workmanlike manner. Vendor agrees to re-perform any Services or correct any other work product not in compliance with this warranty.
- 8.2. Third-party products within the scope of this Agreement are warranted solely under the terms and conditions of the licenses or other agreements by which such products are governed. With respect to all third-party products and services purchased by Vendor for Delaware in connection with the provision of the Services, Vendor shall pass through or assign to Delaware the rights Vendor obtains from the manufacturers and/or vendors of such products and services (including warranty and indemnification rights), to the extent that such rights are assignable.

9. Indemnification; Discharge of Liability.

- 9.1. Vendor shall indemnify and hold harmless Delaware, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) arising out of the negligent or other wrongful conduct of the Vendor, its agents or employees, or Vendor's breach of any material provision of this Agreement.
- 9.2. If Delaware notifies Vendor in writing of a third party claim against Delaware that any work product of Vendor developed, designed or delivered in connection with this Agreement infringes a copyright or a trade secret of any third party, Vendor will defend such claim at its expense and will pay any costs or damages that may be finally awarded against Delaware.

10. Insurance.

10.1. Vendor shall maintain the following insurance during the term of this Agreement:

- a. Worker's Compensation and Employer's Liability Insurance in accordance with applicable law;
- b. Comprehensive General Liability - \$1,000,000.00 per occurrence/\$3,000,000 per aggregate;
- c. Medical/Professional Liability - \$1,000,000.00 per occurrence/\$3,000,000 per aggregate;
- d. Miscellaneous Errors and Omissions - \$1,000,000.00 per occurrence/\$3,000,000 per aggregate; and
- e. Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 for each person and \$300,000 for each accident as to bodily injury and \$25,000 as to property damage to others.

10.2. Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered to Delaware in accordance with the policy provisions.

10.3. Before any work is done pursuant to this Agreement, the Certificate of Insurance and/or copies of the insurance policies specified in Section 10.1 and its subsections, referencing the contract number stated herein, shall be filed with Delaware. The certificate holder is as follows:

Stephen McVay
Director – Finance & Investment Services
Office of the State Treasurer
820 Silver Lake Blvd., Suite 100
Dover DE 19904

10.4. In no event shall Delaware be named as an additional insured on any policy required under this Agreement.

11. Independent Contractor.

11.1. It is understood that in the performance of the Services, Vendor shall be, and is, an independent contractor, and is not an agent or employee of Delaware and shall furnish such Services in its own manner and method except as required by this Agreement.

11.2. Vendor has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by Vendor in the performance of the Services; provided, however, that it will, subject to scheduling and staffing considerations, attempt to honor Delaware's request for specific individuals.

11.3. Vendor shall be solely responsible for, and shall indemnify, defend and hold Delaware harmless from all matters relating to the payment of its employees, including compliance with Social Security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.

- 11.4. Vendor acknowledges that Vendor and any subcontractors, agents or employees employed by Vendor shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees' Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of Delaware or any of its officers, employees or other agents.
- 11.5. Vendor shall be responsible for providing liability insurance for its personnel.
- 11.6. As an independent contractor, Vendor has no authority to bind or commit Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, or fiduciary or agency relationship between the parties for any purpose.

12. Suspension.

- 12.1. Delaware may suspend performance by Vendor under this Agreement for such period of time as Delaware, at its sole discretion, may prescribe by providing written notice to Vendor at least 30 working days prior to the date on which Delaware wishes to suspend. Upon such suspension, Delaware shall pay Vendor its compensation, based on the percentage of the project completed and earned until the effective date of suspension, less all previous payments. Vendor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from Delaware to resume performance.
- 12.2. In the event Delaware suspends performance by Vendor for any cause other than the error or omission of the Vendor, for an aggregate period in excess of 30 days, Vendor shall be entitled to an equitable adjustment of the compensation payable to Vendor under this Agreement to reimburse Vendor for additional costs occasioned as a result of such suspension of performance by Delaware, contingent on appropriated funds and approval by Delaware.

13. Termination.

- 13.1. This Agreement may be terminated in whole or in part by either party in the event of substantial failure of the other party to fulfill its obligations under this Agreement through no fault of the terminating party; but only after the other party is given:
 - a. Not less than 20 calendar days written notice of intent to terminate; and
 - b. An opportunity for consultation with the terminating party prior to termination.
- 13.2. This Agreement may be terminated in whole or in part by Delaware for its convenience, but only after Vendor is given:
 - a. Not less than 20 calendar days written notice of intent to terminate; and
 - b. An opportunity for consultation with Delaware prior to termination.

- 13.3. If termination for default is effected by Delaware, Delaware will pay Vendor that portion of compensation which has been earned as of the effective date of termination, but:
- a. No amount shall be allowed for anticipated profit on performed or unperformed Services or other work, and
 - b. Any payment due to Vendor at the time of termination may be adjusted to the extent of any additional costs occasioned to Delaware by reason of Vendor's default.
 - c. Upon termination for default, Delaware may take over the work and perform or cause to be performed the same to completion by agreement with another party or otherwise.
 - d. In the event Vendor shall cease conducting business, Delaware shall have the right to make an unsolicited offer of employment to any employees of Vendor assigned to the performance of the Agreement, notwithstanding the provisions of Section 11.2.
- 13.4. If after termination for failure of Vendor to fulfill contractual obligations it is determined that Vendor has not so failed, the termination shall be deemed to have been effected for the convenience of Delaware.
- 13.5. The rights and remedies of Delaware and Vendor provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.
- 13.6. Gratuities.
- a. Delaware may, by written notice to Vendor, terminate this Agreement if it is found after notice and hearing by Delaware that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by Vendor or any agent or representative of Vendor to any officer or employee of Delaware with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending or making of any determinations with respect to the performance of this Agreement.
 - b. In the event this Agreement is terminated as provided in Section 13.6(a) hereof, Delaware shall be entitled to pursue the same remedies against Vendor it could pursue in the event of a breach of this Agreement by Vendor.
 - c. The rights and remedies of Delaware provided in Section 13.6 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.
- 13.7. Validity and enforcement of this Agreement is subject to appropriations by the General Assembly of the specific funds necessary for contract performance. Should such funds not be so appropriated Delaware may immediately terminate this Agreement, and absent such action this Agreement shall be terminated as to any obligation of Delaware requiring the expenditure of money for which no specific appropriation is available, at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.
- 13.8. Notwithstanding any other provisions of this Agreement, this Agreement shall terminate and Delaware's obligations under it shall cease at the end of the fiscal year in which Delaware fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which will then become due.

14. Assignment; Subcontracts.

- 14.1. Any attempt by Vendor to assign or otherwise transfer any interest in this Agreement without the prior written consent of Delaware shall be void.
- 14.2. Services specified by this Agreement shall not be subcontracted by Vendor, without prior written approval of Delaware.
- 14.3. Approval by Delaware of Vendor's request to subcontract or acceptance of or payment for subcontracted work by Delaware shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of the work. All subcontractors shall adhere to all applicable provisions of this Agreement.
- 14.4. Vendor shall be and remain liable for all damages to Delaware caused by negligent performance or non-performance of work under this Agreement by Vendor, its subcontractor or its sub-subcontractor.
- 14.5. The compensation otherwise due to Vendor pursuant to Exhibit 2 shall not be affected by Delaware's approval of the Vendor's request to subcontract.

15. Complete Agreement.

- 15.1. This Agreement and its Exhibits shall constitute the entire Agreement between Delaware and Vendor with respect to the subject matter of this Agreement and shall not be modified or changed without the express written consent of the parties. The provisions of this Agreement supersede all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement.
- 15.2. If the scope of any provision of this Agreement is too broad in any respect to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provision shall be curtailed only to the extent necessary to conform to the law.
- 15.3. If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.
- 15.4. Each Exhibit, except as its terms otherwise expressly provide, shall be a complete statement of its subject matter and shall supplement and modify the terms and conditions of this Agreement for the purposes of that engagement only. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the parties hereto with respect to the subject matter hereof.

16. Miscellaneous Provisions.

- 16.1. In performance of this Agreement, Vendor shall comply with all applicable federal, state and local laws, ordinances, codes and regulations. Vendor shall solely bear the costs of permits required and other relevant costs incurred in the performance of this Agreement.
- 16.2. Neither this Agreement nor any Exhibit may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.
- 16.3. The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.
- 16.4. Vendor covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of Services required to be performed under this Agreement. Vendor further covenants, to its knowledge and ability, that in the performance of said Services no person having any such interest shall be employed.
- 16.5. Vendor acknowledges that Delaware has an obligation to ensure that public funds are not used to subsidize private discrimination. Vendor recognizes that its refusal to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, may result in Delaware declaring Vendor in breach of the Agreement, terminating the Agreement, and designating Vendor as non-responsible.
- 16.6. Vendor warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, Delaware shall have the right to annul this Agreement without liability or at its discretion deduct from the Agreement price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- 16.7. This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.
- 16.8. Vendor shall maintain all public records, as defined by 29 *Del. C.* § 502(1), relating to this Agreement and its deliverables for the time and in the manner specified by the Delaware Public Archives, pursuant to the Delaware Public Records Law, 29 *Del. C.* Ch. 5. During the term of this Agreement, authorized representatives of Delaware may inspect or audit Vendor's performance and records pertaining to this Agreement at the Vendor's business office during normal business hours.
- 16.9. At the option of Delaware the parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executives who have authority to settle the controversy. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and

inadmissible for any purpose, including impeachment, in arbitration or other proceeding involving the parties, provided evidence that is otherwise admissible or discoverable may not be rendered inadmissible. If the matter is not resolved by negotiation or, alternatively, Delaware elects to proceed directly to mediation, then the matter will proceed to mediation as set forth below.

- 16.10. Any disputes, claims or controversies arising out of or relating to this Agreement, and not resolved through resolution pursuant to Section 16.9, may be submitted to mediation by a mediator selected by Delaware for resolution. Delaware reserves the right to proceed directly to arbitration or litigation without negotiation or mediation. Any such proceedings held pursuant to this provision shall be governed by Delaware law and venue shall be in Delaware. The parties shall maintain the confidential nature of the arbitration proceeding and the award, including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits. Each party shall bear its own costs of mediation, arbitration or litigation, including attorneys' fees.
- 16.11. The rights and remedies of Delaware provided for in this Agreement are in addition to any other rights and remedies provided by law or at equity.
- 16.12. Pursuant to Regulation S-P adopted by the Security Exchange Commission, all non-public personal information provided by Delaware to Vendor under this Agreement shall be kept confidential by Vendor and not disclosed to others, except to the extent disclosure is (i) permitted by Regulation S-P or authorized by Delaware; (ii) required by applicable law or judicial or regulatory process; or (iii) necessary to carry out the purposes of this Agreement. All recommendations, advice, or other work product of Vendor developed under the terms of this Agreement and disclosed to Delaware, shall be treated as confidential by Delaware, except as permitted or required by applicable law or judicial or regulatory process to be disclosed.

17. Assignment of Antitrust Claims.

As consideration for the award and execution of this Agreement by Delaware, Vendor hereby grants, conveys, sells, assigns, and transfers to Delaware all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State of Delaware, relating to the goods or Services and other work product purchased or acquired by Delaware pursuant to this Agreement.

18. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except where federal law has precedence. Vendor consents to jurisdiction and venue in the State of Delaware.

19. Notices.

Any and all notices required by the provisions of this Agreement shall be in writing and shall be mailed, certified or registered mail, return receipt requested. All notices shall be sent to the following addresses:

DELAWARE:

Office of the State Treasurer
Attn: Stephen McVay ("Designated Contact")
820 Silver Lake Blvd., Suite 100
Dover, DE 19904

VENDOR:

(Vendor contact address)

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE:
Office of the State Treasurer

Signature

Typed or printed name

Title

Date

VENDOR:

Signature

Typed or printed name

Title

Date

Witness

Witness

The following five exhibits shall be considered part of this Agreement:

- Exhibit 1 – Statement of Work **[Incorporate Fully Negotiated Scope of Services]**
- Exhibit 2 – Payment Schedule **[Incorporate Fully Negotiated Fee Schedule]**
- Exhibit 3 – Project Schedule **[Incorporate Fully Negotiated Project Schedule – if applicable]**
- Exhibit 4 -- Confidentiality (Non-Disclosure) and Integrity of Data Agreement
- Exhibit 5 -- Cloud Computing & Offsite Hosting Standards

Exhibit 4: Confidentiality (Non-Disclosure) & Integrity of Data

CONTRACT NUMBER: TRE1602-INVESTCUST

CONFIDENTIALITY (NON-DISCLOSURE) AND INTEGRITY OF DATA AGREEMENT

The Department of Technology and Information is responsible for safeguarding the confidentiality and integrity of data in State computer files regardless of the source of those data or medium on which they are stored; e.g., electronic data, computer output microfilm (COM), tape, or disk. Computer programs developed to process State Agency data will not be modified without the knowledge and written authorization of the Department of Technology and Information. All data generated from the original source data, shall be the property of the State of Delaware. The control of the disclosure of those data shall be retained by the State of Delaware and the Department of Technology and Information ("DTI").

I/we, as an employee(s) of _____ or officer of my firm, when performing work for the State of Delaware, understand that I/we act as an extension of DTI and therefore I/we are responsible for safeguarding the States' data and computer files as indicated above. I/we will not use, disclose, or modify State data or State computer files without the written knowledge and written authorization of DTI. Furthermore, I/we understand that I/we are to take all necessary precautions to prevent unauthorized use, disclosure, or modification of State computer files, and I/we should alert my immediate supervisor of any situation which might result in, or create the appearance of, unauthorized use, disclosure or modification of State data.

Penalty for unauthorized use, unauthorized modification of data files, or disclosure of any confidential information may mean the loss of my position and benefits, and prosecution under applicable State or Federal law.

This statement applies to the undersigned Contractor and to any others working under the Contractor's direction.

I, the Undersigned, hereby affirm that I have read DTI's Policy on Confidentiality (Non-Disclosure) and Integrity of Data and understood the terms of the above Confidentiality (Non-Disclosure) and Integrity of Data Agreement, and that I/we agree to abide by the terms above.

Vendor Name: _____

Authorizing Official Name (print): _____

Authorizing Official Signature: _____

Date: _____

Exhibit 5: Cloud Computing & Offsite Hosting Standards

CONTRACT NUMBER: TRE1602-INVESTCUST

NON-PUBLIC DATA OWNED BY THE STATE OF DELAWARE State of Delaware Cloud and/or Offsite Hosting Specific Terms and Conditions

	Terms and Conditions Clauses 1-13 are mandatory for every engagement. Exceptions will be considered non-compliant and non-responsive.
1	Data Ownership: The State of Delaware shall own all right, title and interest in its data that is related to the services provided by this contract. The Service Provider shall not access State of Delaware User accounts, or State of Delaware Data, except (i) in the course of data center operations, (ii) response to service or technical issues, (iii) as required by the express terms of this contract, or (iv) at State of Delaware's written request.
2	Data Protection: Protection of personal privacy and sensitive data shall be an integral part of the business activities of the Service Provider to ensure that there is no inappropriate or unauthorized use of State of Delaware information at any time. To this end, the Service Provider shall safeguard the confidentiality, integrity, and availability of State information and comply with the following conditions: a) All information obtained by the Service Provider under this contract shall become and remain property of the State of Delaware. b) At no time shall any data or processes which either belongs to or are intended for the use of State of Delaware or its officers, agents, or employees, be copied, disclosed, or retained by the Service Provider or any party related to the Service Provider for subsequent use in any transaction that does not include the State of Delaware.
3	Data Location: The Service Provider shall not store or transfer non-public State of Delaware data outside of the United States. This includes backup data and Disaster Recovery locations. The Service Provider will permit its personnel and contractors to access State of Delaware data remotely only as required to provide technical support.
4	Encryption: a) The Service Provider shall encrypt all non-public data in transit regardless of the transit mechanism. b) For engagements where the Service Provider stores sensitive personally identifiable or otherwise confidential information, this data shall be encrypted at rest . Examples are social security number, date of birth, driver's license number, financial data, federal/state tax information, and hashed passwords. The Service Provider's encryption shall be consistent with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2 , Security Requirements. The key location and other key management details will be discussed and negotiated by both parties. When the Service Provider cannot offer encryption at rest, they must maintain, for the duration of the contract, cyber security liability insurance coverage for any loss resulting from a data breach in accordance with the Cloud and Offsite Hosting Policy . Additionally, where encryption of data at rest is not possible, vendor must describe existing security measures that provide a similar level of protection.

5	Breach Notification and Recovery: Delaware Code requires public breach notification when citizens' personally identifiable information is lost or stolen. Reference: 6 Del. C. § 12B-102 . Additionally, unauthorized access or disclosure of non-public data is considered to be a breach. The Service Provider will provide notification without unreasonable delay and all communication shall be coordinated with the State of Delaware. When the Service Provider or their sub-contractors are liable for the loss, the Service Provider shall bear all costs associated with the investigation, response and recovery from the breach including but not limited to credit monitoring services with a term of at least 3 years, mailing costs, website, and toll free telephone call center services. The State of Delaware shall not agree to any limitation on liability that relieves a Contractor from its own negligence or to the extent that it creates an obligation on the part of the State to hold a Contractor harmless.
6	Notification of Legal Requests: The Service Provider shall contact the State of Delaware upon receipt of any electronic discovery, litigation holds, discovery searches, and expert testimonies related to, or which in any way might reasonably require access to the data of the State. The Service Provider shall not respond to subpoenas, service of process, and other legal requests related to the State of Delaware without first notifying the State unless prohibited by law from providing such notice.
7	<p>Termination and Suspension of Service: In the event of termination of the contract, the Service Provider shall implement an orderly return of State of Delaware data in CSV or XML or another mutually agreeable format. The Service Provider shall guarantee the subsequent secure disposal of State of Delaware data.</p> <p>a) Suspension of services: During any period of suspension or contract negotiation or disputes, the Service Provider shall not take any action to intentionally erase any State of Delaware data.</p> <p>b) Termination of any services or agreement in entirety: In the event of termination of any services or agreement in entirety, the Service Provider shall not take any action to intentionally erase any State of Delaware data for a period of 90 days after the effective date of the termination. After such 90 day period, the Service Provider shall have no obligation to maintain or provide any State of Delaware data and shall thereafter, unless legally prohibited, dispose of all State of Delaware data in its systems or otherwise in its possession or under its control as specified in section 7d) below. Within this 90 day timeframe, vendor will continue to secure and back up State of Delaware data covered under the contract.</p> <p>c) Post-Termination Assistance: The State of Delaware shall be entitled to any post-termination assistance generally made available with respect to the Services unless a unique data retrieval arrangement has been established as part of the Service Level Agreement.</p> <p>d) Secure Data Disposal: When requested by the State of Delaware, the provider shall destroy all requested data in all of its forms, for example: disk, CD/DVD, backup tape, and paper. Data shall be permanently deleted and shall not be recoverable, according to National Institute of Standards and Technology (NIST) approved methods and certificates of destruction shall be provided to the State of Delaware.</p>
8	Background Checks: The Service Provider shall conduct criminal background checks and not utilize any staff, including sub-contractors, to fulfill the obligations of the contract who has been convicted of any crime of dishonesty, including but not limited to criminal fraud, or otherwise convicted of any felony or any misdemeanor offense for which incarceration for a minimum of 1 year is an authorized penalty. The Service Provider shall promote and maintain an awareness of the importance of securing the State's information among the Service Provider's employees and agents.
9	Data Dictionary: Prior to go-live, the Service Provider shall provide a data dictionary in accordance with the State of Delaware Data Modeling Standard .
10	Security Logs and Reports: The Service Provider shall allow the State of Delaware access to system security logs that affect this engagement, its data and or processes. This includes the ability for the State of Delaware to request a report of the records that a specific user accessed over a specified period of time.

11	Contract Audit: The Service Provider shall allow the State of Delaware to audit conformance including contract terms, system security and data centers as appropriate. The State of Delaware may perform this audit or contract with a third party at its discretion at the State's expense. Such reviews shall be conducted with at least 30 days advance written notice and shall not unreasonably interfere with the Service Provider's business.
12	Sub-contractor Disclosure: The Service Provider shall identify all of its strategic business partners related to services provided under this contract, including but not limited to, all subcontractors or other entities or individuals who may be a party to a joint venture or similar agreement with the Service Provider, who will be involved in any application development and/or operations.
13	Operational Metrics: The Service Provider and the State of Delaware shall reach agreement on operational metrics and document said metrics in the Service Level Agreement. Examples include but are not limited to: <ul style="list-style-type: none"> a) Advance notice and change control for major upgrades and system changes b) System availability/uptime guarantee/agreed-upon maintenance downtime c) Recovery Time Objective/Recovery Point Objective d) Security Vulnerability Scanning

ACKNOWLEDGEMENT

This signed document is hereby incorporated into Contract Number TRE1602-INVESTCUST, an Agreement between the State and the Vendor to provide Investment Custody Services. By signing this Attachment, the vendor agrees to abide by all of the above Terms and Conditions.

Vendor Name: _____

Authorizing Official Name (print): _____

Authorizing Official Signature: _____

Date: _____